

COMMITTEE REPORT



TO Community Development and Environmental Services Committee

SERVICE AREA Community Design and Development Services

DATE October 19th, 2009

SUBJECT 2009 Affordable Housing Discussion Paper

REPORT NUMBER 09-89

RECOMMENDATION

"THAT Community Design and Development Services Report 09-89 regarding the 2009 Affordable Housing Discussion Paper dated October, 2009 Be Received; and

"That staff be directed to circulate the 2009 Affordable Housing Discussion Paper for public and stakeholder input, in conjunction with the Official Plan Update public engagement process.

1.0 BACKGROUND

1.1 Definitions

A number of terms will be used throughout this report and the attached 2009 Affordable Housing Discussion Paper. The salient terms are defined below. A more complete list of terms is included in the attached 2009 Affordable Housing Discussion Paper.

Terms	Definitions from 2005 Wellington & Guelph Housing Strategy
Supportive Social Housing	Permanent housing combined with dedicated services for people with special needs including persons with mental and/or physical disabilities and the frail elderly. This housing type is typically supported by the Service Manager.
Social Housing (non-supportive)	Social housing that is subsidized, permanent rental housing or units owned and/or operated by the County or non-profit and co-operative housing providers. Some social housing units are integrated with other market priced units where the County has provided rent supplements to the landlords.

Consolidated Municipal Service Manager (Service Manager)	The County of Wellington, as the Consolidated Municipal Service Manager (Service Manager) for both the County and the City of Guelph, is responsible for the administration of social housing. The County works with various organizations including housing providers, community-based service agencies, social housing residents and applicants, and the community at large to address local housing needs and to address affordable housing.
Terms	Definitions from the Growth Plan & 2005 Provincial Policy Statement
Low and Moderate Income Households	<p>a) In the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area; or</p> <p>b) In the case of rental housing, households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.</p>
Affordable Housing	<p>a) In the case of ownership, housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area;</p> <p>b) In the case of rental, a unit for which the rent is at or below the average market rent of a unit in the regional market area.</p> <p>This housing type is typically supported by all three levels of government, community groups and/ or local developers.</p>
Regional Market Area (RMA)	Refers to an area, generally broader than a lower-tier municipality that has a high degree of social and economic interaction. In southern Ontario, the upper or single-tier municipality will normally serve as the regional market area. Where a regional market area extends significantly beyond upper or single-tier boundaries, it may include a combination of upper, single and/or lower-tier municipalities.
Market Housing	The PPS does not have a definition for Market Housing. The City has referred to market housing as housing other than affordable or social housing where the price is determined by the market.

1.2 The Growth Plan

Section 3.2.6 of the Growth Plan, - "Community Infrastructure" requires municipalities to establish and implement minimum affordable housing targets.

Section (3.2.6.5)

"Municipalities will establish and implement minimum affordable housing targets in accordance with Policy 1.4.3 of the PPS 2005."

Section (3.2.6.6)

“Upper-and single-tier municipalities will develop a housing strategy in consultation with lower-tier municipalities, the Minister of Municipal Affairs and Housing and other appropriate stakeholders. The housing strategy will set out a plan, including policies for the official plans, to meet the needs of all residents, including the need for affordable housing – both home ownership and rental housing. The housing strategy will include the planning and development of a range of housing types and densities to support the achievement of the intensification target and density targets.”

1.3 Provincial Policy Statement (2005)

The Provincial Policy Statement (PPS) under Section 1.4.3 requires municipalities to:

“provide for an appropriate range of housing types and densities to meet the projected requirements of current and future residents of the regional market area by establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households within the regional market area.”

1.4 Policies in the Existing Official Plan

The City’s existing Official Plan encourages a minimum of 25% of the total potential units to be affordable in plans of subdivision “that are designed for moderate and lower income households”. This provision generally reflects the 1989 Provincial Housing Policy Statement, which encouraged municipalities to establish a policy to provide a minimum of 25% affordable housing through new development. However, the 1989 Provincial Housing Policy Statement has been subsequently replaced by the 1996 Provincial Policy Statement which removed the numerical provision. Since then, the 1996 PPS was replaced with the above cited requirements for minimum targets.

1.5 The 2005 Wellington Guelph Housing Strategy

The following outlines the five topic areas addressed in the 2005 Affordable Housing Strategy. Further details of the 2005 Guelph Wellington Housing Strategy are outlined in the Discussion Paper under Appendix E.

The Housing Strategy addresses the following topics:

- 1) The need to produce new affordable and social housing
- 2) The protection of persons who are at risk of losing their housing and becoming homeless
- 3) Preservation of existing rental housing stock
- 4) Planning and land use regulation applicable to affordable housing
- 5) Education, research and monitoring of affordable rental housing.

1.6 The 2010 Wellington Guelph Housing Strategy

The County is currently updating the Wellington Guelph Housing Strategy (2005). The purpose of the Strategy is to identify housing needs and gaps in Wellington County/Guelph and to develop strategies and directions to guide social and affordable housing in Wellington County and Guelph.

The City and the County have worked closely together in compiling and sharing the applicable statistical background information for assessing affordable housing needs, including demographics, household growth and distribution, household incomes, housing costs, population projections, etc. The shared data have informed both the City's Affordable Housing Discussion Paper and the County's Draft Housing Strategy. The County has prepared a supply and demand analysis for affordable housing which is scheduled for public input in October of 2009.

1.7 Purpose of this Report

The purpose of this report is to provide an overview of the salient findings and recommendations from the City's 2009 Affordable Housing Discussion Paper (Discussion Paper). These are outlined below.

- A recommended minimum affordable housing target of 36% for low and moderate income households.
- A separate recommended target of 90 accessory apartments annually.
- An explanation of the methodology used to determine the recommended target(s).
- A list of possible implementation tools, which will be the subject of public input prior to consideration for inclusion, as appropriate, into the Official Plan.

The Discussion Paper is intended to provide background and direction for the establishment of affordable housing targets for both ownership and rental housing and form the basis for updating the affordable housing policies in the Official Plan.

It is important to acknowledge that the City is one of several partners involved in the delivery of affordable housing. For example, the federal and provincial governments play an integral role in providing stimulus funding for affordable housing. The County of Wellington¹, the development community and not-for-profit organizations, as well as the community at large have an important role in providing for affordable housing through the building of affordable units and creating accessory apartments.

¹ The County is the Service Manager under the Social Housing Reform Act and is responsible for managing and administering the social and affordable housing program.

The Discussion Paper will replace the 2001 Affordable Housing Policy Paper and the 2002 Affordable Housing Action Plan. The recommendations of the Discussion Paper will also provide background for the 2010 Wellington / Guelph Housing Strategy and will serve to generate discussion during the public consultation period.

The Discussion Paper is attached under Appendix 1.

2.0 REPORT

2.1 Overview of Methodology for Determining Affordable Housing Targets

Although the Growth Plan and the PPS requires minimum targets for affordable housing, the Province does not provide a formal methodology for determining affordable housing targets. Therefore, a best practices review was undertaken to develop a methodology. Based on the best practices review, it was concluded that the best approach for determining affordable housing targets was a hybrid of two methodologies from two accepted housing consultants.² The methodology has also been peer reviewed by Lapointe Consulting Inc.

The following outlines a number of basic principles applied to the methodology.

Regional Market Area

Due to the significant disparity between incomes, housing prices and rent between the City and parts of the County, the City and County agreed that the City would be considered the "regional market area"³ for the purpose of determining the affordable housing target for the City.

Affordable Ownership Housing Benchmark

The affordable ownership housing benchmark price has been determined using the 2008 housing prices and the Growth Plan and PPS definitions. In 2008, a house price of **\$237,000** or below is considered affordable ownership and represents households with a gross annual income of \$79,000⁴.

² The two sources are: SHS Consulting; who has completed housing target reports for various municipalities like the City of Brantford and Peel Region. Linda Lapointe from Lapointe Consulting Inc. who also has completed housing target reports for City of Windsor and other municipalities, and has published housing reports such as "Where's Home" for the Canadian Mortgage Housing Corporation. (CMHC)

³ "Regional market area is defined in the PPS as an area, generally broader than a lower-tier municipality that has a high degree of social and economic interaction. In southern Ontario, the upper or single-tier municipality will normally serve as the regional market area. Where a regional market area extends significantly beyond upper or single-tier boundaries, it may include a combination of upper, single and/or lower-tier municipalities." (2005 PPS)

⁴ Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

Affordable Rental Housing Benchmarks

The affordable rental housing benchmark price has been determined using the 2008 rent prices and the Growth Plan and PPS definitions. In 2008, rent at, or below **\$833** is considered affordable rent and represents households with a gross annual income of \$33,300⁵.

Calculation of Affordable Ownership Housing Targets by Housing Type

Affordable ownership housing targets have been determined under each housing type (e.g., low, medium and high density). Unlike defining the affordable ownership housing benchmark, there are no corresponding Census data for 2008 for determining the affordable targets by housing type. Therefore, and for the purpose of determining the affordable housing target by housing type, Statistics Canada Census data from 2006 has been used. In addition, the 2006 affordable benchmark price was also used in order to ensure consistency of data sets. Based on the 2006 Census, 15 % of low density housing, 40 % of medium density housing, and 61% of high density housing were below the 2006 affordability benchmark price (\$205,500). It is reasonable to apply these percentages as the projected target for affordable housing under each ownership housing type. (See Figure 1 - Step 4 and Discussion Paper, Figure 12)

Application of Targets to New Construction Only

The affordable housing targets will apply to new construction only. This principle has been applied because there is no direct municipal control over resale and/or rental accommodation in the existing housing stock.

Separate Target for Accessory Apartments

Accessory apartments are permitted within single and semi-detached dwellings within the City and make an important contribution to affordable housing, particularly for the student population. A specific and separate target of 90 accessory apartment units/year is recommended. This target is based upon the average number of building permits issued for accessory apartments over the past several years and is separate from the overall recommended housing target of 36% addressed below. (See further discussion in Section 5 of the Discussion Paper)

Targets by Tenure and Housing Type

The Growth Plan and the PPS requires that official plans establish and implement a minimum target that is affordable to low and moderate income households for the full range of housing. Therefore, the methodology establishes numerical targets for both ownership and rental units by each housing type in low, medium and high density housing.

⁵ Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

The full methodology is outlined in Section 5 of Appendix 1, Discussion Paper and is illustrated in Figure 1 attached.

2.2 Determination of Affordability Benchmark by Ownership and Rental Housing

The following outlines the methodology for determining the affordability benchmark prices for both affordable ownership and affordable rental housing. The Growth Plan and the PPS provides definitions for determining what constitutes affordable ownership and affordable rental housing. These are addressed below.

a) Affordable Ownership

The Growth Plan and the PPS defines affordable ownership housing as the least of:

- housing for which the purchase price results in annual accommodation costs which do not exceed 30% of gross annual household income for low and moderate income households; or
- housing for which the purchase price is at least 10% below the average purchase price of a resale unit in the regional market area;

The Growth Plan and the PPS defines low and moderate income households as households with an annual income at the 60th percentile or less within the regional market area. As discussed above, the City of Guelph is the regional market area for the purpose of applying these definitions.

The affordable ownership benchmark price is based on 2008 resale house sales, which is the most current available information. On the basis of the above definition from the PPS, 10 % below the average 2008 resale price has been calculated and is \$237,088. This is less than the purchase price at the 60th percentile without exceeding 30% of the gross annual household income (\$255,200), therefore, dwellings priced at or below \$237,088 are considered affordable in 2008.

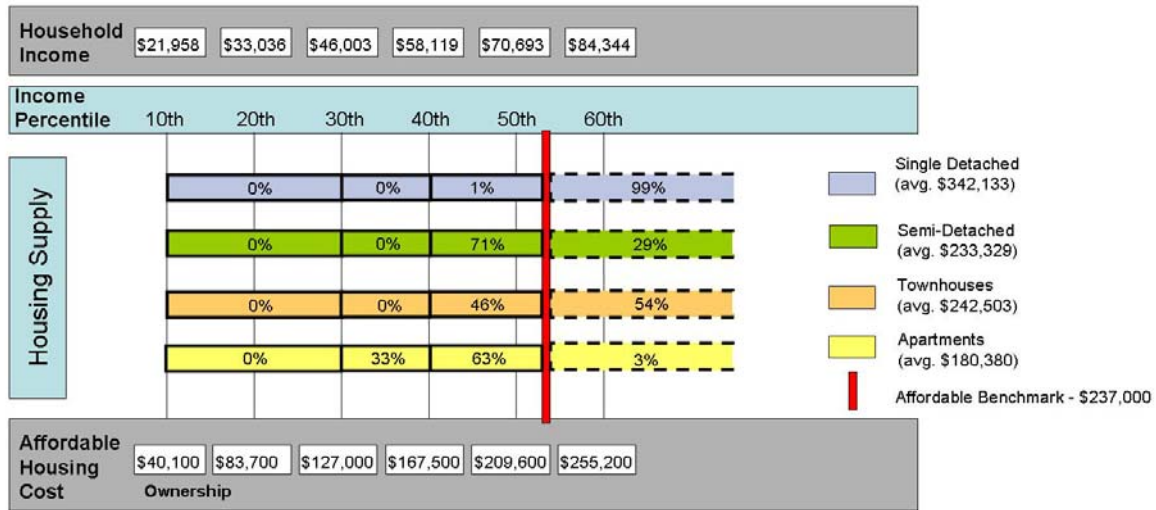
In 2008, 22% of all newly constructed ownership housing units were below the affordability benchmark price of \$237,000.⁶

Generally, there were no new affordable ownership units available below the 40th income percentile (\$167,500) with the exception of condominium apartment units (Figure 2 below). Figure 2 illustrates the limitations of affordable ownership in meeting the full range of housing needs and in particular it will be extremely difficult to provide ownership housing in the low density housing.

Further details outlining affordable housing prices at each percentile is addressed in Section 4.0 of the Discussion Paper.

⁶ According to MPAC's 2008 house sale data, out of the total 379 ownership dwellings, 83 dwellings were sold below the affordable ownership benchmark price of \$237,000.

Figure 2: Price of Newly Constructed Dwellings Relative to the Affordability Benchmarks (2008)



Source: MPAC housing sales data (2008). Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

b) Affordable Rental

The Growth Plan and the PPS defines affordable rental housing as the least of:

- a unit for which the rent does not exceed 30% of gross annual household income for low and moderate income households; or
- a unit for which the rent is at or below the average market rent of a unit in the regional market area.

For rental households, the Province defines “low and moderate income” as households with incomes in the lowest 60% of the rental household income distribution in the Regional Market Area.

The average rental price in 2008 for all bedroom type (\$833) is lower than the rental price at the 60th percentile without exceeding 30% of the gross annual household income. Therefore, rental at \$833 or below are considered affordable rental.

In 2008, approximately 41% of all new and existing rental units⁷ were being rented below the affordability benchmark of \$833, thereby fulfilling a large component of affordable housing need (Figure 3).

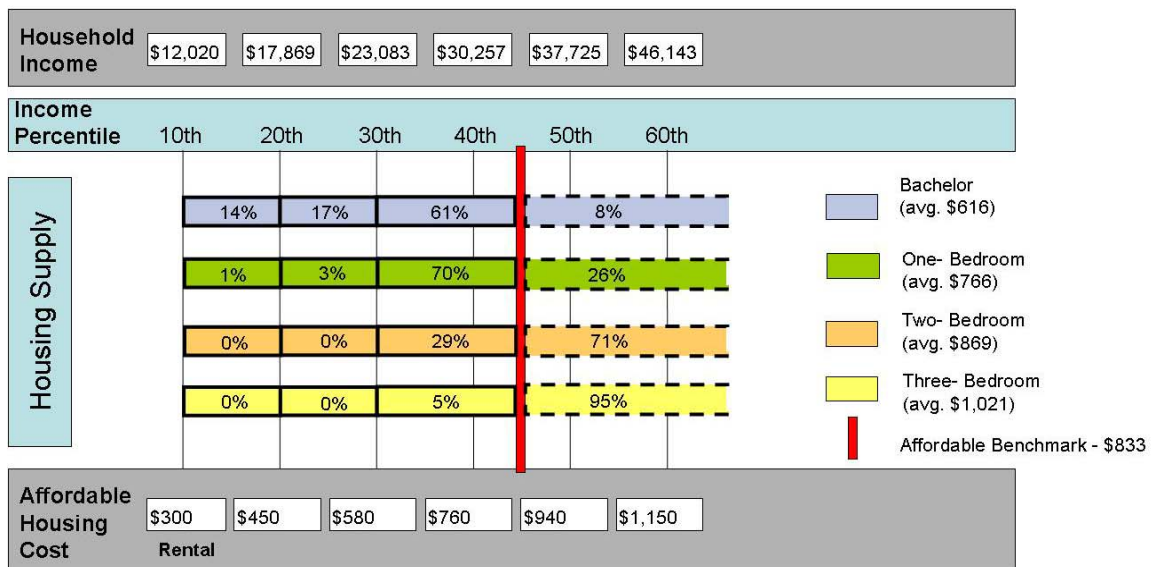
⁷ CMHC does not separate new and existing rental units, also, the 41% includes rental apartments and townhouse units only, CMHC does not track single / semi detached rental units or accessory units.

However, as the bedroom sizes increase, the number of affordable units decreases. In 2008, the majority (92%) of bachelor apartments were below the affordability benchmark price, while only 29% and 5 %, respectively, of the two and three bedroom apartments were within the affordable rental range.

Availability is even more restrictive below the 30th percentile income level. For example, 31% (65 units) of bachelor apartments were rented below the 30th income percentile. While only 4% of one-bedroom apartments were rented below the 30th income percentile. There were no 2 and 3 bedroom apartments rented below the 30th percentile.

The existing rental prices are concentrated at the upper end of the affordable range, e.g., limited affordable rental units below the 30th percentile or \$580 (Figure 3). As discussed above, these figures do not include accessory apartments, which are dealt with separately in Section 2.3 (iii) below.

Figure 3: Rental Units by Apartment Type Relative to the Affordability Rental Benchmark (2008)



Source: Calculated from CMHC’s rental data (2008). Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

2.3 The Provision for a Full Range of Housing

The *Planning Act*, Growth Plan and the PPS require municipalities to permit and facilitate all forms of housing to meet the requirements of current and future residents. However, and as discussed above, affordability in the City is concentrated at the upper end of the income percentile, leaving large gaps and limited housing options for households in the lower income percentiles in both ownership and rental housing.

Households below the 30th percentiles are considered to be “in the deep core need” for social housing. Typically, social housing is administered and delivered by the

Service Manager, with the support of senior government funding. It is therefore assumed that this deep core need will be met through programs administered by the Service Manager, in conjunction with federal and provincial governments.

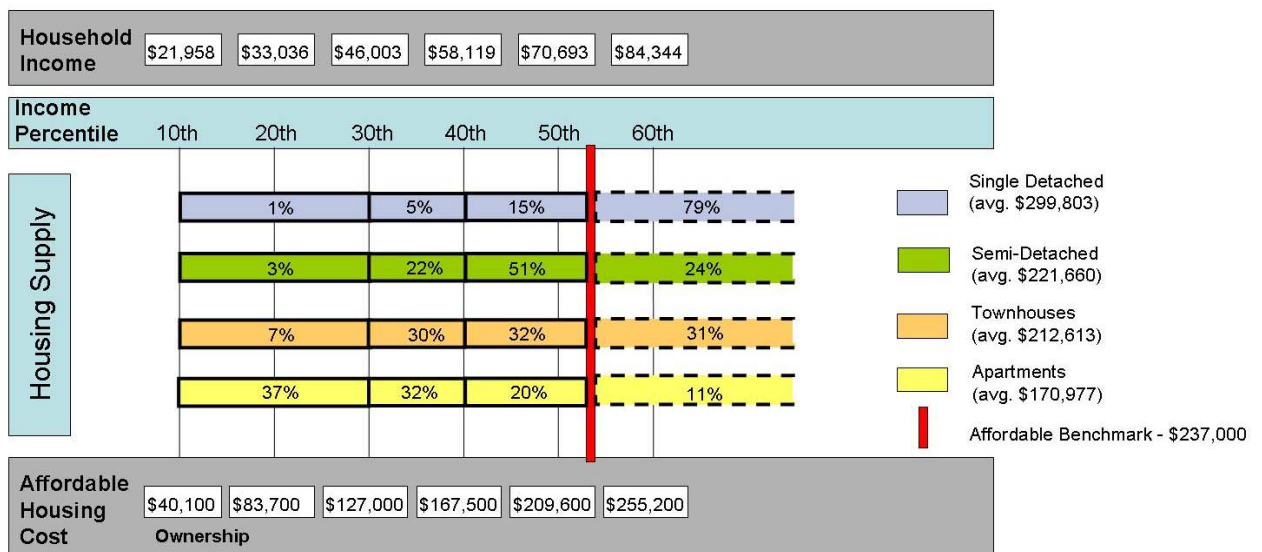
The County of Wellington Housing Department has identified 1,280 households on the waiting list for social housing in 2008.

ii) Resale Homes

Although, resale homes provide a supply of affordable housing at and below the affordability benchmark price of \$237,000, they are typically not included in the affordable housing target because they cannot be regulated or influenced by the municipality. The resale market homes are included for information only and have not been included as part of the affordable housing target.

As shown in Figure 4, and similar to new construction and rental housing, there are limited housing options below the 30th percentile for single/semi detached housing and townhouses. Only 1% of the single detached resale dwellings and 3% of the semi detached resale dwellings were sold below the 30th percentile. However, 37% of the resale apartment units sold was below the 30th percentile. These statistics further support the notion that home ownership, even in the resale market, is limited in providing home ownership opportunities below the 30th percentile.

Figure 4: Price of Resale Dwellings Relative to the Affordability Benchmarks (2008)



Source: Calculated from Guelph & District Association of Realtors sales data 2008. Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

iii) Accessory Apartments

Accessory Apartments within single and semi-detached dwellings make an important contribution to affordable housing. As shown in Figure 5 - the City's Building Permit records, from 2005-2008 there was an average of 93 accessory apartment permits issued annually.

Figure 5: Number of Accessory Apartment Permits Issued (2005 - 2008)

	2005	2006	2007	2008	4 Year Average (2005-2008)
Number of Accessory Apartment permits	104 permits	88 permits	92 permits	89 permits	93 permits

Source: City of Guelph's Building Permit Records (2009)

Based on this historical annual supply, and the importance of accessory apartments as part of the affordable housing stock, a target of 90 units per year is a reasonable target. This target is proposed separately from the overall affordable housing target as these units are typically accommodated in existing dwellings and do not represent a new structure.

2.4 Recommended Affordable Housing Target

i) Overall Affordable Housing Target

With growth comes the need to provide for additional affordable housing opportunities in the community. Therefore, the methodology outlined in Figure 1, has been applied and it is recommended that the City establish and implement a minimum affordable housing target of **36%** for low and medium income households in accordance with the provision of the Growth Plan and the PPS.

The following Figure 6 illustrates the break down of the 36% affordable housing target by Ownership and Rental under low, medium and high density. (See Figures 1 to 1b attached, and Section 5 of the Discussion Paper for more details.)

Figure 6: Annual Average Affordable Housing Targets by Tenure and Housing Type

Tenure	Low Density Units	Medium Density Units	High Density Units	Total Units
Ownership	46	113	123	282
Rental	-	11	87	98
Total Annual New Constructed Affordable Units				380
Recommended Target of Total Annual New Construction (1064 res. Units)				36 %

Source: City of Guelph (2009)

ii) Accessory Apartment Target

As shown in Figure 5, an average of 93 accessory apartment permits was issued between 2005 and 2008. Based on this historical annual supply, and the importance of accessory apartments as part of the affordable housing stock, a **target of 90 units per year** is recommended.

2.5 Number of Households Below the Affordable Household Income Benchmark (2006)

The recommended 36 % target has been compared against the 2006 data for the number of households below the 2006 affordable household income within the Guelph CMA.⁸ The purpose of this comparison is to ascertain if the recommended target is reasonable. It was necessary to use 2006 data for this comparison because there was insufficient data for 2008 for either Guelph alone or for the Guelph CMA, which includes Guelph-Eramosa Township, to determine the number of households below the affordability income benchmark by housing tenure.

As shown in Figure 7 below, in 2006 there were a total of 20,065 households with household incomes below the affordable income benchmark in the Guelph CMA.⁹ Therefore, the percentage of households below the affordable benchmark in Guelph will vary in 2008. The recommended 36 % target combined with the 90 accessory units per year represents a reasonable and comparable target to the 2006 historical demand.

Figure 7: Percentage of Households in Guelph CMA with Income below the Affordable Income Benchmark for Ownership and Rental (2006)

	Ownership Households	Rental Households	Total Households
No. of households (2006) below the Affordable Income Benchmark (\$69,500/yr – ownership) (2006) (\$32,800/yr – rental) (2006)	14,090	5,975	20,065
No. of total households in Guelph CMA (2006)	34,515	14,015	48,530
% of affordable households in Guelph CMA			$(20,065 / 48,530) =$ +/- 41%

Source: Statistics Canada 2006 Census

⁸ The Guelph CMA included Guelph/Eramosa Township

⁹ In 2006, the affordable ownership housing benchmark price was \$205,500. This represents households with a gross annual income of \$69,500. Also in 2006, the affordable rental housing benchmark price was \$820. This represents households with a gross annual income of \$32,800.

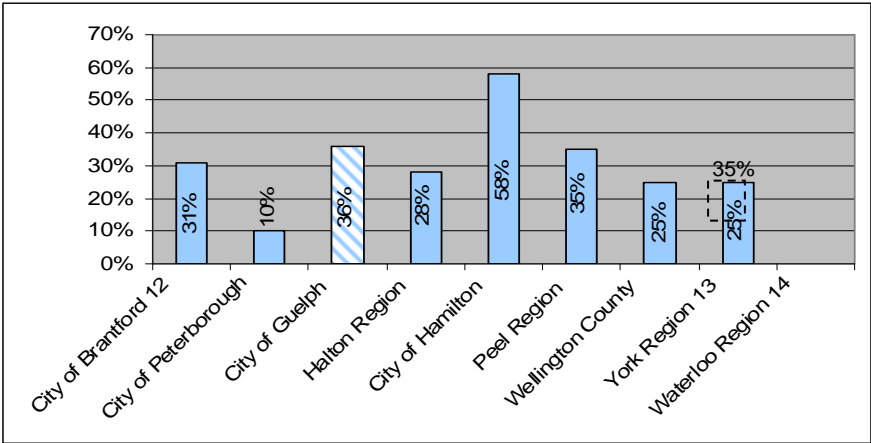
3.0 Benchmark Target with Other Municipalities

The City’s recommended affordable housing target of 36% is compared to other municipal targets below in Figure 8. As shown in Figure 8 and discussed under Section 5.5 of the Discussion Paper, the Region of Peel has proposed a comparable affordable housing target of approximately 35%. The City of Hamilton identified an aggressive target of 58% in their draft affordable housing report (yet to be finalized). Affordable housing targets for Kitchener/Waterloo and Cambridge are addressed by the Region of Waterloo. Waterloo Region does not have a percentage target but instead has a numerical target of 500 units over the next 5 years¹⁰ e.g., approx.100 units/year.

Most municipalities have or have proposed to establish their targets on the basis of a percentage of new development. However, the City’s target has included both the percentage of new development as well as a numerical target for ownership and rental under each housing type. This approach is based on the Growth Plan requirements to address affordable housing in terms of home ownership and rental, as well as the City’s Growth Management Strategy, which projected housing types¹¹. This approach is similar to that applied by the Region of Halton and provides for a methodology that can be replicated and monitored more effectively.

Although, the City of Guelph’s affordable housing target may appear to be slightly higher than other municipalities, there are no provincial standards for calculating targets for affordable housing. The City of Guelph’s affordable housing target is based on the City’s unique housing circumstance and the methodology outlined in Figure 1. It is recognized that municipal needs and calculations will differ.

Figure 8: Comparison of Other Municipality’s’ Affordable Housing Targets



Source: Various housing reports and interviews with planners at various municipalities

¹⁰ Region of Waterloo’s 2008 -2013 Affordable Housing Strategy [http://www.region.waterloo.on.ca/web/region.nsf/97dfc347666efede85256e590071a3d4/79A9C4C2E7D0540B8525724B00715633/\\$file/new%20AHS.pdf?openelement](http://www.region.waterloo.on.ca/web/region.nsf/97dfc347666efede85256e590071a3d4/79A9C4C2E7D0540B8525724B00715633/$file/new%20AHS.pdf?openelement)

¹¹ City of Guelph’s Growth Management projected housing type is 30 % low density, 33 % medium density and 37 % high density to 2031.

4.0 Implementation Tools

The following identifies a list of possible implementation tools or recommended actions derived from various municipalities' affordable housing strategy in Ontario and Canada. These implementation tools are provided for review and input through the public engagement process.

4.1 Planning Tools

1. Include the City-wide affordable housing target for affordable ownership and affordable rental housing under low, medium and high densities as part of Official Plan policy.
2. Establish policy in the Official Plan to require the demonstration of how the affordable housing target will be met by the project.
3. Set maximum unit sizes for affordable housing units in the zoning by-law to reduce the overall construction cost and therefore increase affordability.
4. Within certain areas of the City allow a development permit system with incentives for affordable housing.
5. Revisit the recommendation of the Housing First Policy from the 1990 Municipal Housing Statement to allow any surplus City-owned lands to be offered to non-profit housing groups for rental housing construction.
6. Review the list of development standards such as (parking requirements and setbacks) to possibly reduce barriers to affordable housing construction.
7. To protect the existing rental stock, review and strengthen the existing policies for Demolition Permits and rental conversions.

¹² The City of Brantford's draft Official Plan policy refers to an affordable housing target of 180 units per year. Based on their 2003 Affordable Housing Strategy Report, where 584 new units are projected per year, this represents 31 %.

¹³ York Region's overall target is 25%, however a target of 35% is applied to the Regional Centres and Regional Corridors.

¹⁴ The Region of Waterloo has not proposed a housing target on a percentage basis. Rather, Waterloo Region based its target on the available funding from all three levels of government. The Region has committed to create a total of 500 units (400 units of affordable housing and 100 units of assisted housing) over 5 years e.g. ~100 units per year.

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8. Explore the feasibility of a density bonusing system that provides developers with additional density in exchange for providing affordable housing.
 9. Update and monitor the affordable housing target by housing type annually.

4.2 Financial Tools

1. Establish an annual contribution to maintain the Affordable Housing Reserve fund to support additional affordable housing construction.
2. To effectively manage the Affordable Housing Reserve Fund, the City will establish formal review criteria, eligibility and application process for the consideration of affordable and social housing projects for small scale non-profit projects.
3. Investigate if Tax Incremental Financing (TIF) is an appropriate tool to encourage the creation of affordable housing.
4. Continue to apply a lower tax rate for affordable multi-residential rental housing at the residential/farm rate.
5. To revisit the feasibility of the "Add a unit Program" which is a program where the municipality provides an up-front grant to renovate an existing upper storey or basement for affordable housing on the condition that the unit(s) are maintained as affordable housing over a fixed period of time.

4.3 Communication Tools

1. Make a strong effort to promote any affordable housing programs provided by all levels of government to the public to encourage implementation, e.g., encourage Request for Proposals when senior government funding comes available.
2. Undertake social marketing to educate and communicate to the public on the benefits of affordable housing with a view to minimize NIMBYism.
3. Continue dialogue with the Service Manager and the federal and provincial government for more tools to require applicants to provide a portion of their development for affordable housing.
4. To encourage opportunities for working with the University of Guelph and Conestoga College to establish special programs that combines affordable housing and education for students in need.

5.0 Next Steps

The Discussion Paper will be provided to the public through the City's web site, and circulated to local stakeholders (i.e., Wellington Guelph Housing Committee, the County of Wellington, housing providers, businesses, the builders and development associations, the Province and applicable City departments for review and comment.

A minimum of two open houses will be scheduled and meetings with key stakeholders will be conducted through the month of November 2009 in order to receive feed back on the Discussion Paper and the recommended targets and tools.

Following public consultation, the Discussion Paper may be refined and the affordable housing targets and policies will be developed and incorporated into the draft Official Plan Update. The draft Official Plan Update will be subject to additional public meetings and stakeholder input including a statutory public meeting before finalized for consideration by Council.

CORPORATE STRATEGIC PLAN

Goal 2: A healthy and safe community where life can be lived to the fullest.
Goal 5: A community-focused, responsive and accountable government.

FINANCIAL IMPLICATIONS

Financial implications will depend on the implementation of the suggested planning, financial and communication tools cited above.

DEPARTMENTAL CONSULTATION

The 2009 Affordable Housing Discussion Paper has been circulated for comments to the County's Planning and Social Services Department.

There has also been internal consultation with CDDS Development Review, Parks Planning and other City departments.

ATTACHMENTS

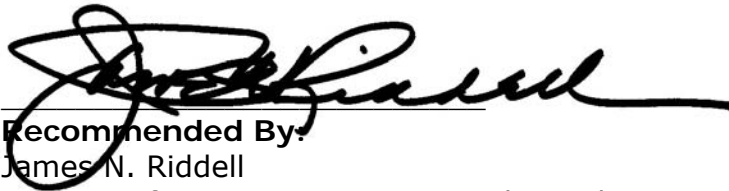
Figure 1 Methodology for Determining the Affordable Housing Target
Appendix 1 2009 Affordable Housing Discussion Paper

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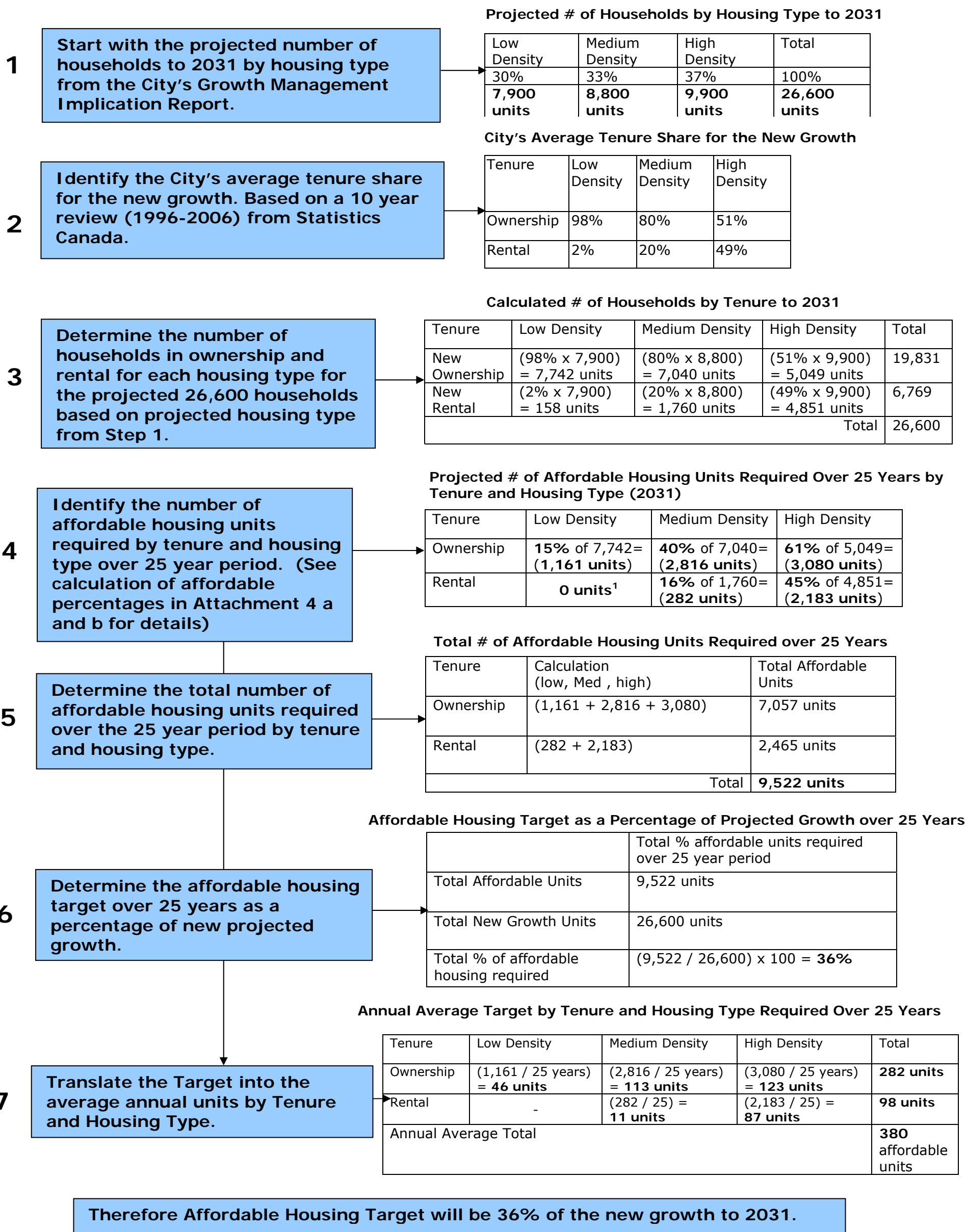
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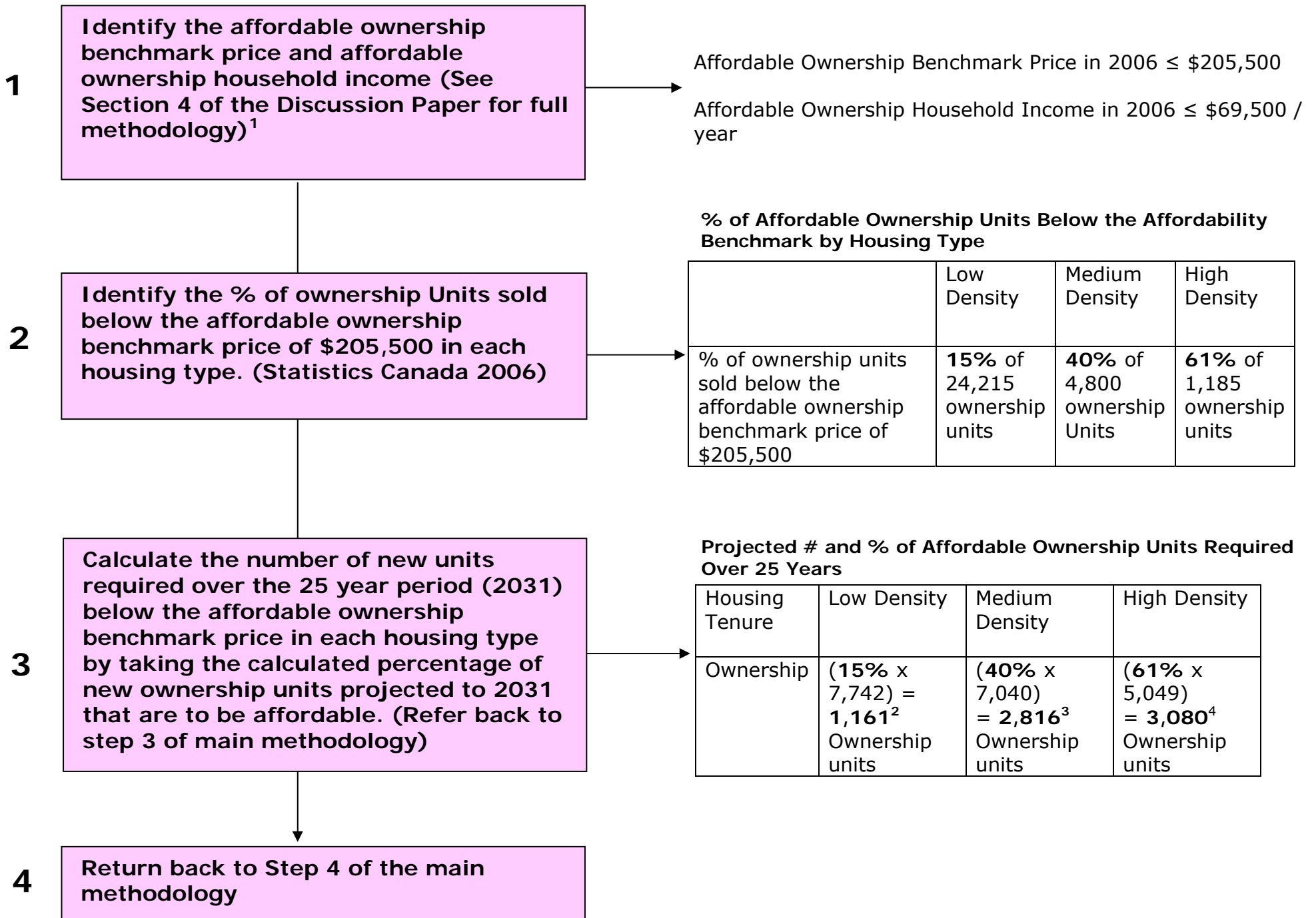
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**Figure 1:
Methodology for Determining the Affordable Housing Target**



¹ The accessory apartment target is determined separately under Section 2.3 (iii) of the staff report and Section 5 of the Discussion Paper.

Figure 1a: Affordable Ownership Calculation

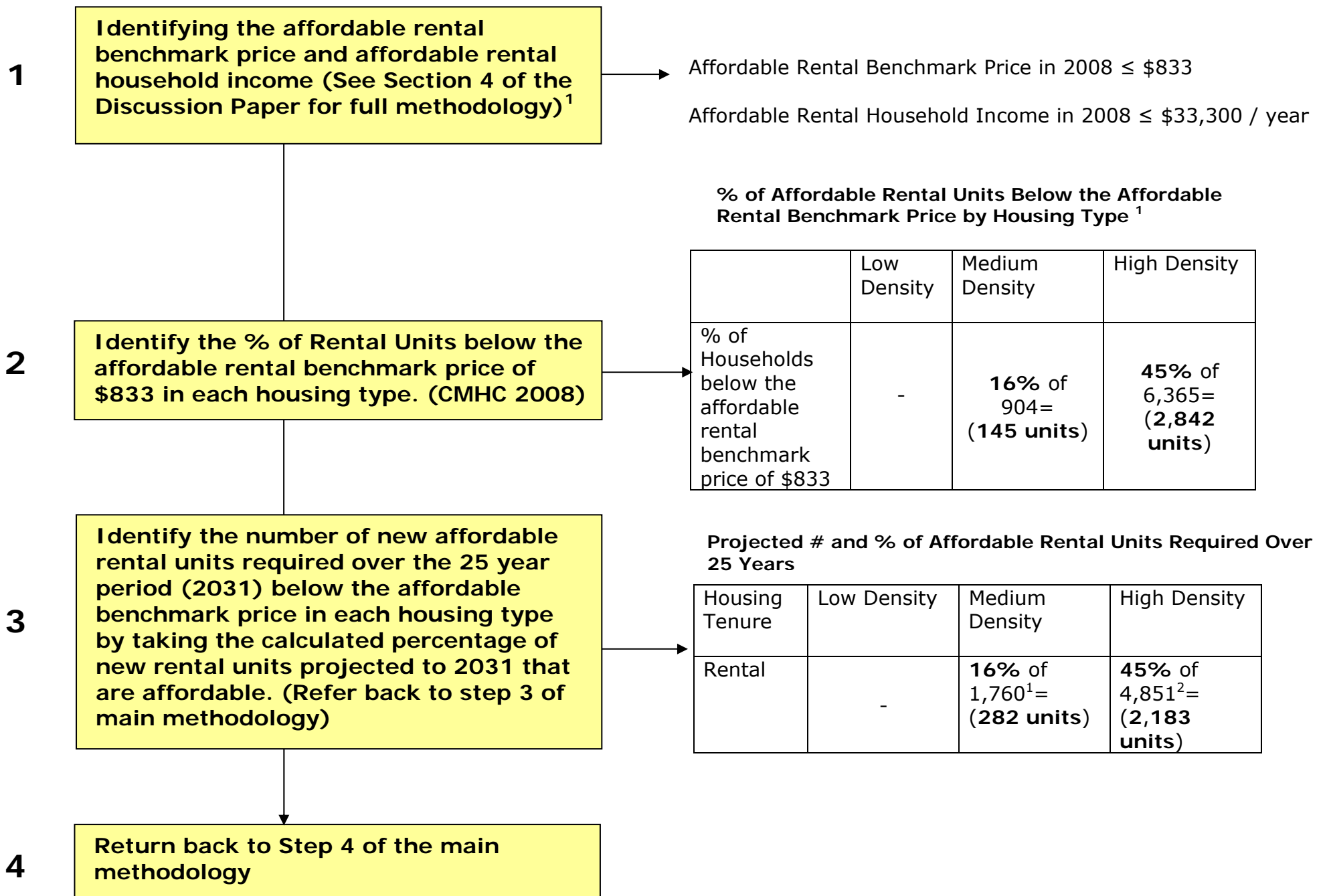


¹ There are no appropriate Census data for 2008 for determining the affordable targets by housing type. Therefore, for the purpose of determining the affordable housing target by housing type Statistic Canada Census data from 2006 has been used. In addition, the 2006 affordable benchmark price was also used in order to ensure consistency of data sets.

² The total ownership households in low density based on Step 3 of the main methodology in Figure 1.

³ The total ownership households in medium density based on Step 3 of the main methodology in Figure 1.

Figure 1b: Affordable Rental Calculation



¹ Please note that unlike affordable ownership, affordable rental refers to CMHC’s 2008 rental housing data, therefore the 2008 affordable benchmark price was used.

² The accessory apartment target is determined separately under Section 2.3 (iii) of the staff report and Section 5 of the Discussion Paper.

³ The total rental households in medium density based on Step 3 of the main methodology in Figure 1.

⁴ The total rental households in high density based on Step 3 of the main methodology in Figure 1.



2009 Affordable Housing Discussion Paper

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1.0 INTRODUCTION

1.1 PURPOSE

The Affordable Housing Discussion Paper provides the background and basis for the recommended affordable housing targets for the City of Guelph in fulfillment of the provisions of the Provincial Policy Statement (PPS) and the Growth Plan for the Greater Golden Horseshoe. The 2009 Affordable Housing Discussion Paper has been prepared concurrent with and in conjunction with the County of Wellington's Housing Strategy Update. For the purpose of establishing affordable housing targets, this analysis applies only to the City of Guelph. It was determined that the City would be the "regional market area"¹ as it would more accurately represent the City's needs. The County of Wellington will be establishing separate targets for its defined regional market area(s).

The County of Wellington is currently updating the Wellington/Guelph Housing Strategy. The City and the County have collaborated to ensure that both the City and County's statistical data are consistent in this report and the Housing Strategy.

The City-wide affordable housing target will implement the distribution of affordable housing by housing type in the City for low and moderate income households. The affordable housing target has been calculated on the basis of the growth rate by housing mix established through the City's Growth Management Strategy to the year 2031. The target is established as a percentage of the new residential development that is required to keep pace with the estimated additional 26,600 households forecasted to 2031.

The objectives of this Discussion Paper are to:

- Provide the background and policy basis for establishing an affordable housing target (Section 2.0);
- Outline the City's current housing statistical profile (Section 3.0);
- Present the methodology for determining what is considered affordable ownership and affordable rental housing within the City (Section 4.0);
- Outline the methodology for determining the recommended affordable housing target of 36%, and how the targets would apply to ownership and rental housing by housing type. (Section 5.2);
- Provide a list of recommended tools to be considered for encouraging and implementing affordable housing targets (Section 6.0).

¹ The PPS provides flexibility for the determination of the regional market area. The regional market area refers to an area, generally broader than a lower municipality that has a high degree of social and economic interaction. In southern Ontario, the upper or single-tier municipality will normally serve as the regional market area. Where a regional market area extends significantly beyond upper and single tier boundaries, it may include a combination of upper, single and /or lower-tier municipalities."

The Discussion Paper will also form the foundation for the affordable housing target and other policies to be included in the Official Plan Update. The Discussion Paper and the recommended target will be the subject of public review as part of the Official Plan Update.

2.0 BACKGROUND

2.1 AFFORDABLE HOUSING TERMINOLOGY

In order to facilitate the understanding of this paper, the following definitions of terminology associated with “affordable housing” are summarized below.

Figure 1: Affordable Housing Definitions

Terms	Definitions from 2005 Wellington & Guelph Housing Strategy
Emergency Shelters	Shelters that provide board, lodging, personal needs items and other support to homeless persons on a short-term or infrequent basis. E.g., Elizabeth Place supported by United Way
Domiciliary Hostels	Unlike emergency shelters, domiciliary hostels are permanent homes for people with special needs and offer a housing alternative to institutional care. E.g., Harmony House in south Guelph has service agreements with the County.
Supportive Social Housing	Permanent housing combined with dedicated services for people with special needs including persons with mental and /or physical disabilities and the frail elderly. This housing type is typically supported by the Service Manager.
Social Housing (non-supportive)	Social housing that is subsidized, permanent rental housing or units owned and/or operated by the County or non-profit and co-operative housing providers. Some social housing units are integrated with other market priced units where the County has provided rent supplements to the landlords.
Consolidated Municipal Service Manager (Service Manager)	The County of Wellington, as the Consolidated Municipal Service Manager (Service Manager) for both the County and the City of Guelph, is responsible for this administration of social housing. The County works with various organizations including housing providers, community-based service agencies, social housing residents and applicants, and the community at large to address local housing needs and to address affordable housing.

Terms	Definition from the Growth Plan and the 2005 Provincial Policy Statement
Low and Moderate Income Households	<p>a) In the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area; or</p> <p>b) In the case of rental housing, households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.</p>
Affordable Housing	<p>a) In the case of ownership, housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area;</p> <p>b) In the case of rental, a unit for which the rent is at or below the average market rent of a unit in the regional market area.</p> <p>This housing type is typically supported by all three levels of government, community groups and local developers.</p>
Regional Market Area (RMA)	Refers to an area, generally broader than a lower-tier municipality that has a high degree of social and economic interaction. In southern Ontario, the upper or single-tier municipality will normally serve as the regional market area. Where a regional market area extends significantly beyond upper or single-tier boundaries, it may include a combination of upper, single and/or lower-tier municipalities.
Market Housing	The PPS does not have a definition for Market Housing. The City has referred to market housing as housing other than affordable or social housing where the price is determined by the market.
Terms	Definition from Statistics Canada
Family Households	Family households are divided into two subcategories: one family households and multiple-family households.
One family households	A one-family household consists of a single family (e.g., a couple with or without children).
Couple family households	A married couple or a couple living common-law with or without children.
Lone-parent family households	A lone parent living with one or more children.
Multiple family households	Multiple-family household refers to a household in which two or more census families occupy the same private dwelling.

Non-family households	A non-family household consists either of one person living alone or of two or more persons who share a dwelling, but do not constitute a family.
One person households	One person living alone.
Two or more person households	Two or more non-family members living in one dwelling.

Source: 2005 Wellington & Guelph Housing Strategy, Provincial Policy Statement (2005), Statistics Canada

2.2 PROVINCIAL POLICY REQUIREMENTS

Under the direction of the Provincial Policy Statement, municipalities are to establish and implement minimum targets for the provision of housing for low and moderate income households. In addition, the Growth Plan for the Greater Golden Horseshoe requires that municipalities plan for a range and mix of housing, including affordable housing. The following outlines the key provincial policies which address requirements for affordable housing.

2.2.1 Planning Act

Under Section 2 of the *Planning Act*, municipalities are required “to have regard to” matters of provincial interest, including ensuring “there is adequate provision for a full range of housing”.

2.2.2 The Growth Plan for the Greater Golden Horseshoe (Growth Plan)

The Growth Plan was prepared by the Province to guide decisions on a wide range of issues and builds upon other key provincial initiatives such as the Provincial Policy Statement. In order to maintain and enhance healthy and complete communities as defined in the Growth Plan, Section 3.2.6 – “Community Infrastructure” require municipalities to establish and implement minimum affordable housing targets.

Section (3.2.6.5)

“Municipalities will establish and implement minimum affordable housing targets in accordance with Policy 1.4.3 of the PPS 2005.”

Section (3.2.6.6)

“Upper-and single-tier municipalities will develop a housing strategy in consultation with lower-tier municipalities, the Minister of Municipal Affairs and Housing and other appropriate stakeholders. The housing strategy will set out a plan, including policies for the official plans, to meet the needs of all residents, including the need for affordable housing – both home ownership and rental housing. The housing strategy will include the planning and development of a range of

housing types and densities to support the achievement of the intensification target and density targets."

2.2.3 Provincial Policy Statement (PPS) (2005)

Under Section 3 of the *Planning Act* municipal policies must "be consistent with" the PPS.

The PPS (March 1, 2005) contains new policies addressing affordable housing. Section 1.4.3 states:

"Planning authorities shall provide for an appropriate range of housing types and densities to meet projected requirements of current and future residents of the regional market area by:

- a) establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households..."*
- b) permitting and facilitating: all forms of housing required to meet the social, health and well being requirements of current and future resident, including special needs requirements."*

2.3 CITY'S CURRENT OFFICIAL PLAN (2006 CONSOLIDATION)

The City's Official Plan (OP) "encourages" affordable housing, but does not have a specific City-wide target. Section 7.2.2 c) states:

"Encouraging the provision of affordable housing in plans of subdivision that are designed for moderate and lower income households, and, more particularly, for large subdivisions requiring this housing form to be provided to a minimum 25% of the total potential units."

Additional housing policies contained in the OP that encourages the provision of and protection for a full range of housing, including affordable housing are listed in Attachment 1.

Recently, City Council adopted Official Plan Amendment 39 - Growth Plan Conformity (June 2009). Currently, amendment 39 is with the Ministry of Municipal Affairs and Housing for review and approval. This amendment includes a provision that "encourages all forms of residential intensification and redevelopment, which in part, may contribute to affordability." (Section 1.4.3 b) 2)

As part of the Official Plan Update, the policies related to affordable housing will be refined to reflect the Growth Plan and the PPS requirements and include a minimum affordable housing target.

2.4 RESPONSIBILITY FOR AFFORDABLE HOUSING IN GUELPH

The following section highlights the responsibility for affordable housing in the City of Guelph. A more detailed summary of the history of responsibility, funding and strategies for affordable housing is provided in Attachment 2.

2.4.1 Role of the Federal and Provincial Governments

Historically, there has been reliance on the federal and provincial governments to provide and /or stimulate affordable housing. Up until 1985 the Federal government was directly involved in the funding and construction of affordable housing. Between 1993-1995, both the federal/provincial government delegated the responsibility for administering social/affordable housing to Municipal government. With the passing of the *Social Housing Reform Act* in 2000, the County of Wellington became the designated, Consolidated Municipal Service Manager (Service Manager) for Wellington/Guelph. The Federal and Provincial government provides funding, when available, to be administered by the service managers.

2.4.2 Role of the County of Wellington

As of 2000, the County of Wellington, as the Service Manager, has been responsible for administering social and affordable housing in Wellington County and Guelph primarily through funding provided by the senior levels of government. Therefore, the County is responsible for administering 100% of the municipal social and affordable housing programmes. (See Attachment 2, Appendix A for a detailed diagram which represents the roles and responsibility between the County and the City of Guelph regarding social and affordable housing.)

For example in 2005 the County administered \$5.245 million to create 84 affordable rental units in Guelph and 10 affordable rental units in Arthur, Wellington North. (See Attachment 2, Figure 3 for details)

On March 2009, the Ontario provincial government matched the federal government's announcement and has made a commitment of \$624.5 million. The combined total from both the federal and provincial government will be \$1.24 billion as follows:

- \$704 million to repair social housing units and make them more energy efficient
- \$370 million to create new affordable housing for low-income seniors and persons with disabilities
- \$175 million to extend the Canada-Ontario Affordable Housing Program.

It is anticipated that the City will be the benefactor of the projects funding through this program.

2.4.3 Role of the City

The City of Guelph has provided affordable housing through grants and other forms of relief where appropriate e.g., deferral/waiver of development charges and other municipal fees. An affordable housing reserve fund was established in 2003. The reserve fund has continued to offset portions of the start-up cost of several affordable housing projects in the City. (See Attachment 2, Figure 2 for details) Moreover, the City has also been active in promoting and encouraging the construction of affordable housing through a broad range of policies, programs and tools. (See Attachment 2, Section 3 for a complete list and summary of the policies and programs.)

3.0 HOUSING STATISTICAL PROFILE

As a component of “complete communities” defined by the Growth Plan, affordable housing shares an important role in meeting people’s needs throughout their lifetime. Therefore it is important to understand the City’s current housing and demographic situation before exploring future affordable housing requirements. The evidence for considering the need for additional affordable housing in the City is strong. Attachment 3 of this report provides a full analysis of the City’s current housing supply and demands. The following highlights the key findings from Attachment 3 – City of Guelph’s Housing Statistical Profile.

3.1 HOUSEHOLD DISTRIBUTION

1. The median age of the City’s population increased from 35.4 years in 2001 to 36.4 in 2006. It is estimated that the age group in the 55+ category will increase approximately 110% (approx. 30,000 people) by 2031. (See Attachment 3, Section 2)
2. In 2006 the average household size decreased to 2.57 people per unit from 2.68 in 1996. The average household is projected to be 2.37 people per unit in 2031.² (See Attachment 3, Section 3.1)
3. In 2006, 2 person households represent 33% (14,815 households), 1 person households represent 25% (11,335 households), 4+ person households represent 25% (11,285 households), 3 person households represent 16% (7,255 households) of the City’s total household population. (See Attachment 3, Section 3.2)
4. In 2006, there were approximately 44,700 total households in Guelph.
5. In 2006, 31% of households in Guelph were couples with children. 25% were one person households, 24% were couples without children. The remainder households made up the total. (See Attachment 3, Section 3.3)
6. In 2006, 69% (31,000 households) of Guelph’s total household population had homeownership, with the 31% (13,700 households) in rental units. (See Attachment 3, Section 3.5)

² 2008 City of Guelph Development Charge Background Study (p. 3-5)

3.2 INCOME TRENDS

1. In 2006, the median household income of all ownership and rental households in Guelph CMA³ was \$65,991. The lowest income households in Guelph are one-person households with a median annual household income of \$30,687 in 2006. This category is followed by lone-parent family households with an average annual household income of \$45,840. (See Attachment 3, Section 3.8)
2. For rental households, the lowest income households in Guelph CMA are one-person households with an average annual household income of \$22,022 and are followed by lone-parent family households with an annual average income of \$28,917. (See Attachment 3, Section 3.9)

3.3 ECONOMIC CONDITIONS

1. Recent statistics from the Workforce Planning Board of Waterloo/ Wellington/ Dufferin indicates that the unemployment rate in Guelph CMA had increased significantly from 5.6% in 2008 to 8.1% in April 2009. (See Attachment 3, Section 4.1)

3.4 EXISTING HOUSING STOCK

1. The majority (28%) of the City's single/semi detached ownership dwellings were constructed before 1960. The majority (47%) of the City's ownership townhouses were constructed between 1991 and 2006; and the majority (71%) of the City's ownership apartments were constructed between 1971 - 2000. (See Attachment 3, Section 5.2)
2. 45% of the City's single/semi detached rental dwellings were constructed before 1960. 25% of the City's rental townhouses were constructed between 1971 and 1980. 27% of the City's rental apartments were constructed before 1960. (See Attachment 3, Section 5.3)
3. Between 1996 and 2006 rental households declined by 9%. In the same time period, homeownership households increased by 9%. (See Attachment 3, Section 7)
4. In 2006, 54% of the City's total housing stock (ownership and rental) was single/semi detached ownership dwellings. (See Attachment 3, Section 7.3)

3.5 HOMEOWNERSHIP AND MORTGAGE RATE

1. The lowest average mortgage rate experienced was in 2005, at a rate of 5.5% (5 year term). Overall the last ten years (1998-2008) the average mortgage

³ Guelph Census Metropolitan Area (CMA) includes the City of Guelph and the Township of Guelph/Eramosa

rate was at 6.6% (5 year term). In 2008 the average 5 year mortgage rate was at 6.4%. (See Attachment 3, Section 8.1)

2. There were no new apartment/condominium ownership units sold between 2005 and 2006⁴ and only 62⁵ apartment/condominium units sold in 2007. (See Attachment 3, Section 8.2.1)
3. In 2008, the average semi detached and apartment units were priced below \$237,000 (the recommended affordable ownership benchmark). (See Attachment 3, Section 8.2.2)
4. In 2008⁶, the average new house price (all housing type) in the City of Guelph was \$302,779. In 2008, the average new house price for a single detached dwelling was \$342,133. The average new house price for semi detached dwelling was \$233,329. The average new house price for townhouse was \$242,503. The average new house price for apartments was \$180,380. (See Attachment 3, Section 8.2.3)
5. According to the Guelph & District Association of Realtors, the total number of resale dwellings sold decreased from 2,168 dwellings in 2007 to 1,989 dwellings in 2008. (See Attachment 3, Section 8.3.1)
6. According to the Guelph & District Association of Realtors, in 2008 the average resale house price (all housing type) in the City of Guelph was \$263,431. In 2008, the average resale house price for a single detached dwelling was \$299,803. The average resale price for semi detached dwelling was \$221,660. The average resale price for townhouses was \$212,613. The average resale price for apartments was \$170,977. (See Attachment 3, Section 8.3.2)

3.6 RENTAL HOUSING AND VACANCY RATE

1. In October 2008, the vacancy rate for Guelph CMA was at 2.3%. This rate is below the healthy rental market vacancy rate of 3%. Based on more current data, the vacancy rate is rising. E.g., in April 2009 the rental vacancy rate for Guelph CMA was 3.7%. (See Attachment 3, Section 8.5.1)
2. The highest vacancy rate by bedroom type in 2008 was found in 3 bedroom units at 2.7%, while the lowest vacancy rate was for 1 bedroom units at 2.1%. (See Attachment 3, Section 8.5.2)
3. In 2008, the average rent for a one bedroom apartment was \$766 and a two bedroom apartment was \$869. (See Attachment 3, Section 8.5.6)

⁴ In 2006, 81 registered units were leased through the Village by the Arboretum condo plan, and therefore were not registered as "sold" in the MPAC data.

⁵ The 62 units are from developments on 415 Grange Road and 60 Cardigan Street.

⁶ Municipal Property Assessment Corporation house sale data was used.

3.7 SOCIAL HOUSING SUPPLY AND DEMAND

1. In 2008, there were approximately 2,754 permanent social housing units in Wellington/Guelph of which 2,238 (81%) were located in Guelph. (See Attachment 3, Section 9.1)
2. As of December 2008, there were 1,280 active households on the social housing waiting list in Wellington/Guelph.⁷ (see Attachment 3, Section 9.3)
3. 47% of the applicants on the waiting list are "single-non-seniors", (65 and under); 35% of applicants were "families" with the remainder 18% of applicants being seniors. (See Attachment 3, Section 9.3)
4. In the City of Guelph, it takes about 3-5 years for seniors, 3-9 years for single households and 3-5 years for families to gain access to social housing from application to move-in date. (See Attachment 3, Section 9.5)
5. As of May 2009, 39% of all applicants on the waiting list were in the age group 25-44 years old. The next largest proportion of applicants is in 45 – 64 years old at 35%. (See Attachment 3, Section 9.6)
6. The majority (37%) of the applicants on the social housing waiting list have an average household income of \$1,001-\$2,000 per month. The next largest proportion (36%) of all applicants had an average household income of \$501 - \$1000 per month. (See Attachment 3, Section 9.7)

3.8 CHANGING NEEDS

1. In 2008, the gross annual household income for households such as recipients of Ontario Works, Ontario Disability Support Program, Seniors with Old Age Security, Guarantee Income Supplement and Guarantee Annual Income System and minimum wage earners continue to experience difficulty in affording rental units below the 20th percentile (rent at \$450/ month). (See Attachment 3, Section 10)
2. In 2006, 22% (25,315 people) of the City of Guelph's total population are 55 years of age or older, an increase of 2% from 2001. 55% of the aging population are female with the remaining 45% being male.
3. As the City's overall population continues to increase, the proportion of immigrants to Guelph continues to grow in parallel. In 2006, 21% of the City's total population was new Canadians.⁸ The proportion of immigrants and non-immigrates has not changed since 1996. (See Attachment 3, Section 11)

⁷ There are no distinctions between the number of applicants from the County of Wellington and the number of applicants from Guelph.

⁸ Refers to people who are, or have been, landed immigrants in Canada. A landed immigrant is a person who has been granted the right to live in Canada permanently by immigration authorities.

-
4. In the 2008/09 University of Guelph school year, approximately 5,000 or 25% students live on campus; the other 15,250 students or 75% live off campus in and/or outside of Guelph. (See Attachment 3, Section 12)

4.0 METHODOLOGY FOR DETERMINING AFFORDABLE HOUSING

Before determining a recommended future affordable housing target, it is important to clearly define what is considered to be affordable housing within the City.

4.1 DEFINITION OF AFFORDABLE HOUSING IN GUELPH

In order to set targets for affordable housing, there is a need to first establish the methodology for defining “**affordable ownership housing**” and “**affordable rental housing**” in a way that is consistent with the 2005 Provincial Policy Statement. The methodology to determine the affordable ownership and affordable rental housing targets is addressed in Section 5 of this Discussion Paper.

The PPS requires slightly different data for determining affordable ownership than rental housing. For affordable ownership housing, the calculation includes the household income of **all** households in the regional market area, e.g., the “income distribution in the regional market area”. However, affordable rental housing is based on only rental households within the regional market area, e.g., the “average market rent within the regional market area.” The definitions and methodology are addressed below.

4.1.1 Definition of Affordable Ownership Housing for Guelph

The (PPS) provides direction for determining affordability. Affordable ownership housing is defined as the least of:

- a) *housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households; or*
- b) *housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area.*

The PPS defines low and moderate ownership income households, as follows:

- a) *in the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area⁹*

⁹ For the purpose of determining affordable housing targets, the City of Guelph is the regional market area. (As mentioned in Section 1.0 of this Discussion Paper)

As illustrated on Figure 2 below, in 2008 the average ownership household income at the 60th percentile was \$84,344. Therefore, households making below \$84,344 are considered to be “low to moderate income households”.

As identified above, the PPS provides two methods for defining affordability and requires that the lower amount be used. The two methods are discussed below.

a) Affordability Based on 30 % of Gross Annual Household Income

Figure 2, below shows the gross annual household incomes for the City of Guelph (regional market area) and the affordable housing price based on 30% of the gross annual household income for each percentile. For example, in 2008, the gross annual household income at the 60th percentile was \$84,344. This means that households within the 60th percentile could not afford a home over \$255,200 without spending more than 30% of their gross annual household income on housing.¹⁰

b) Affordability Based on 10 % Below Average Resale Price

Figure 2, also identifies the average resale price of homes in 2008 as \$263,431. Based on 10% below this price, a home in Guelph below \$237,088 would be considered affordable to low and moderate income households. As indicated above, low and moderate ownership income households are defined as households below the 60th percentile. Therefore, the average resale house price in Guelph is slightly higher than what would be considered affordable to low and moderate income households with incomes adjusted to 2008 levels.

Figure 2: Affordable Ownership Calculation (2008)

Income Percentile	Total Gross Annual Household Income (2008*)	Affordable Purchase Price (Does not exceed 30% of gross annual Household Income)	Average Resale Price (2008)	10% Below the Average Resale Price
10 th Percentile	\$21,958	\$40,100		
20 th Percentile	\$33,036	\$83,700		

The “regional market area” is defined by the PPS as: *“refers to an area, generally broader than a lower-tier municipality, that has a high degree of social and economic interaction. In southern Ontario, the upper or **single-tier municipality will normally serve as the regional market area**. Where a regional market area extends significantly beyond upper or single-tier boundaries, it may include a combination of upper, single and/or lower-tier municipalities.”*

¹⁰ The following assumptions were placed into an algebraic formula obtained from Lapointe Consulting Inc and was used to calculate the gross annual household income:

- Property taxes equal to 1.336561% (Residential/Farm class rate) / 12 months
- 5% down payment,
- Mortgage interest rate of 6.5% (according to the bank of Canada- 5 year mortgage),
- Utilities and heating cost is \$200 / month and a 25 year amortization period.

30 th Percentile	\$46,003	\$127,000		
40 th Percentile	\$58,119	\$167,500		
50 th Percentile	\$70,693	\$209,600		
55 th Percentile	\$78,900			\$237,088
60 th Percentile	\$84,344	\$255,200		
61 st Percentile	\$86,820		\$263,431	

Source: *Calculated from Statistics Canada 2006 Census and have been adjusted upwards to 2008 by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

c) Final Affordable Ownership Price

Since 10% below the average resale price (\$237,088) is lower than the purchasing price of households at the 60th percentile without exceeding 30% of the gross annual household income (\$255,200), housing priced at **\$237,088** or below would be considered affordable for the City of Guelph.

For the purpose of implementation, housing priced at or below **\$237,000** will be considered affordable in Guelph.

Therefore, as shown in Figure 2, an affordable benchmark price of \$237,000 would enable households with a gross annual household income of \$78,900 and below (households at or below approximately the 55th percentile) to purchase a home.

For the purpose of implementation, a gross annual household income of **\$79,000** or less will be considered as the affordable household income in Guelph.

4.1.2 Definition of Affordable Rental Housing for Guelph

The 2005 Provincial Policy Statement defines affordable rental housing as the least of:

- a) a unit for which the rent does not exceed 30 percent of gross annual household income for low and moderate income households; or
- b) a unit for which the rent is at or below the average market rent of a unit in the regional market area.

Note that the definition for “low and moderate income households” for rental households is slightly different than ownership households. As defined by the PPS, low and moderate income households refer to households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.

Figure 3 below compares the average gross annual rental household incomes and the affordable rent at each income percentile with the average market rent for the City of Guelph.

Figure 3: Affordable Rental Calculation (2008)

Income	Average	Affordable Rental Price	Average
--------	---------	-------------------------	---------

Percentile	Gross Annual Rental Household Income (2008)	(Does not exceed 30% of gross annual household income) <i>(Household income x 30% / 12 months)</i>	Market Rent (2008)
10 th Percentile	\$12,020	\$300	
20 th Percentile	\$17,869	\$450	
30 th Percentile	\$23,083	\$580	
40 th Percentile	\$30,257	\$760	
45 th Percentile	\$33,300	\$830	\$833
50 th Percentile	\$37,725	\$940	
60 th Percentile	\$46,143	\$1,150	

Source: Calculated from CMHC's data (2008). Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0% to 2008 on the basis of the Ontario Consumer Price Index from Statistics Canada.

a) Affordability Based on 30 % of Gross Annual Household Income

Figure 3, above shows the average gross annual rental household incomes within the City of Guelph (regional market area) and the affordable rental price based on 30% of the gross annual household income for each percentile. For example, in 2008, the average gross annual rental household income at the 60th percentile was \$46,143. This means that households within the 60th percentile could not afford rents over \$1,150 without spending more than 30% of their gross annual household income on housing.

b) Affordability Based on At or Below Average Market Rent

Figure 3, also identifies the average market rent price in 2008 as \$833. Based on the PPS's second definition, at or below the average market rent, a unit in the City of Guelph with rent below \$833 would be considered affordable to low and moderate income households.

c) Final Affordable Rental Price

As a result, the average rent price (\$833) is lower than the rental price at the 60th percentile, without exceeding 30% of the gross annual household income (\$1,150). Therefore, rent priced at **\$833** or below (households with a gross annual household income of \$33,300 and below – 45th percentile) would be considered affordable.

For the purpose of implementation, rent priced at or below **\$833** is considered affordable in Guelph.

4.1.3 Definition of Affordable Housing for Establishing Affordable Housing Targets

In summary, based on the definitions prescribed by the PPS, the following benchmark prices for affordable ownership housing and affordable rental housing apply to Guelph.

Figure 4: Affordable Housing Targets for the City of Guelph

Housing Type	Applicable Definitions from the PPS	Affordable Benchmark Price (2008)
Affordable Ownership Housing	Housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area.	\$237,000 (\$237,088)
Affordable Rental Housing	A unit for which the rent is at or below the average market rent of a unit in the regional market area.	\$833

The average resale and rental price will fluctuate from year to year, therefore it is recommended that the City monitor the affordable benchmark for both ownership and rental housing. It is difficult to prescribe the frequency of the review at this time because there is typically several years between the approval of plans of subdivision and apartments and the issuance of a building permit. Therefore, a monitoring program will need to be developed, perhaps in conjunction with the Development Priorities Plan (DPP).

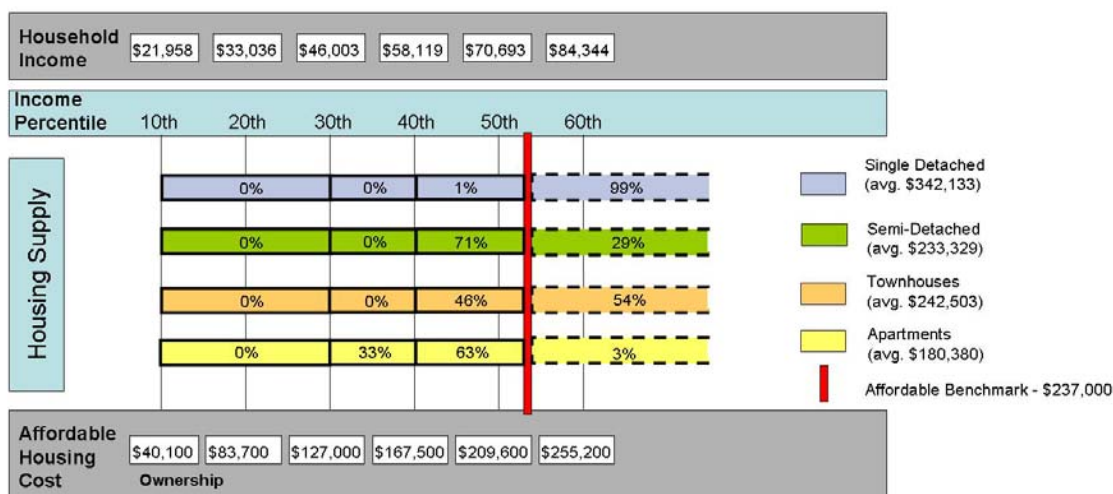
4.2 AFFORDABILITY IN THE CITY

The following discussion addresses the availability of affordable housing based on the above calculations for ownership and rental housing under new homes sold, and rental housing. The selling price of homes and cost of rent are compared against the calculated benchmark for affordability provided in Section 4.1.3 of this Discussion Paper. Comparable information on resale homes has been provided for information only, and has not been included as part of the affordable housing target.

4.2.1 Availability of New Affordable Ownership Housing in Guelph

An examination of the Municipal Property Assessment Corporation's (MPAC) house sales data in 2008 shows that there were 83 (22%) new ownership housing units sold below the affordable housing benchmark price (\$237,000). Although approximately 22% of new homes sold were below the affordability threshold of \$237,000, there are gaps in affordable housing options by housing type particularly at the lower end of the household income percentile. As shown in Figure 5, new low density housing (single and semi-detached) and medium density housing (townhouses) are not affordable to those households below the 40th percentile having an average gross annual income of approximately \$58,119.

Figure 5: Comparison of Affordable Benchmark and Average New House Prices (2008)



Source: MPAC housing sales data (2008). Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

As illustrated by Figure 6 below, in 2008 the average price of both single (\$342,133) and townhouse dwellings (\$242,503) are above the affordable home ownership benchmark price of \$237,000. Although town homes are typically less expensive than semi-detached, only semi-detached and apartments units were priced below the affordable benchmark price of \$237,000. The price would be reflective of the quality and type of homes sold in 2008.

Figure 6: Historical Comparison of Average Housing Prices, City of Guelph, 2007-2008

Housing Type	2007	2008	% Change 2007-2008
Single detached	\$ 332,737	\$342,133	+2.8%
Semi-detached	\$ 238,414	\$233,329	-2.1%
Townhouses	\$ 223,101	\$242,503	+8.6%
Apartments	\$165,086	\$180,380	+9.3%
Total Average House Price	\$ 275,751	\$302,779	+9.8%

Source: MPAC 2007, 2008

4.2.2 Availability of Affordable Rental Units in Guelph

As shown in Figure 7 below, a similar analysis was undertaken for rental accommodations over a four year period (2005-2008). The data includes only townhouse/apartment rental units and does not include singles or semi detached

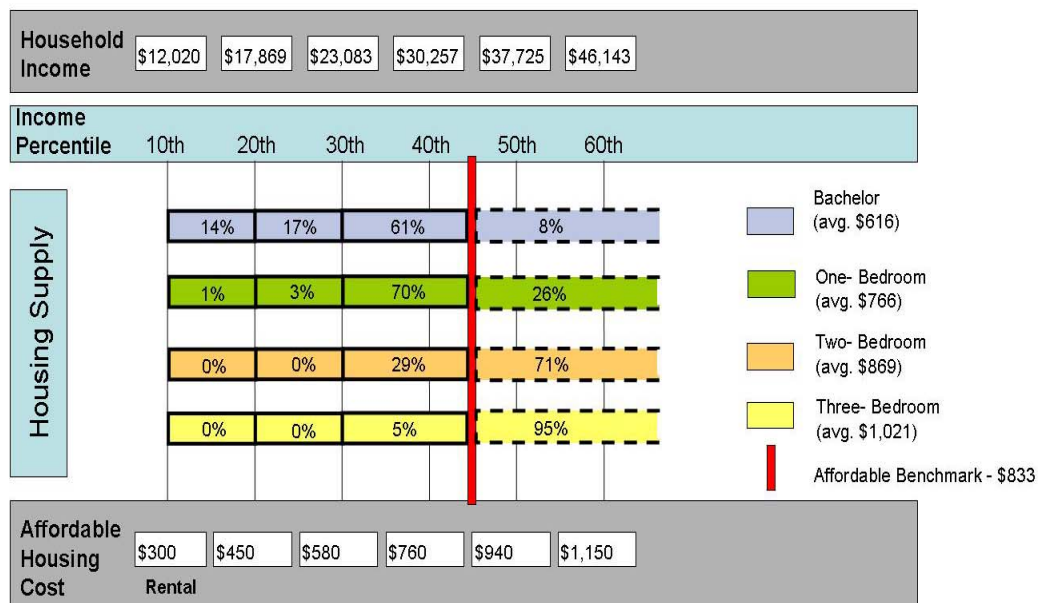
dwellings or accessory apartments.¹¹ Moreover, the CMHC rental market survey data does not separate newly constructed rental units from the existing rental units in the City.

In 2008, 2,987 units or 41% of rental units were available within the affordable benchmark price of \$833 or lower. However, as shown in Figure 7, the majority of the rental units were priced close to the affordable rental benchmark with limited rental units available in the lower income percentiles.

As bedroom number increased, the number of affordable units decreased. Thirty one percent (31%) of bachelor apartment units were rented below the 30th income percentile. Only 4% of one bedroom apartment units were rented below the 30th income percentile. There were no units rented below the 30th income percentile for two and three-bedroom units.

Therefore, family households in the lower income percentile are very limited in their choice of accommodation and are in need of more affordable rental housing units below the 30th percentile.

Figure 7: Comparison of Affordable Benchmark with Average Rental Prices



Source: Calculated from CMHC's data (2008). Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

¹¹ CMHC does not have rental data for single/semi detach dwellings.

4.2.3 Availability of Resale Affordable Homes in Guelph

Although, resale homes provide a supply of affordable housing at and below the affordability benchmark price of \$237,000, they are not included in the affordable housing target because their resale price cannot be regulated or influenced by the municipality. The resale market homes are included for information only and have not been included as part of the affordable housing target.

Traditionally, resale homes are more affordable than newly constructed homes. According to the Guelph and District Association of Realtors' sales data, in 2008, 827 (42%) of the resale homes were sold below the affordable benchmark price of \$237,000.

Although resale homes may have lower starting prices, the majority of the affordable resale homes (\$237,000) are also concentrated in the upper end of the housing price range.

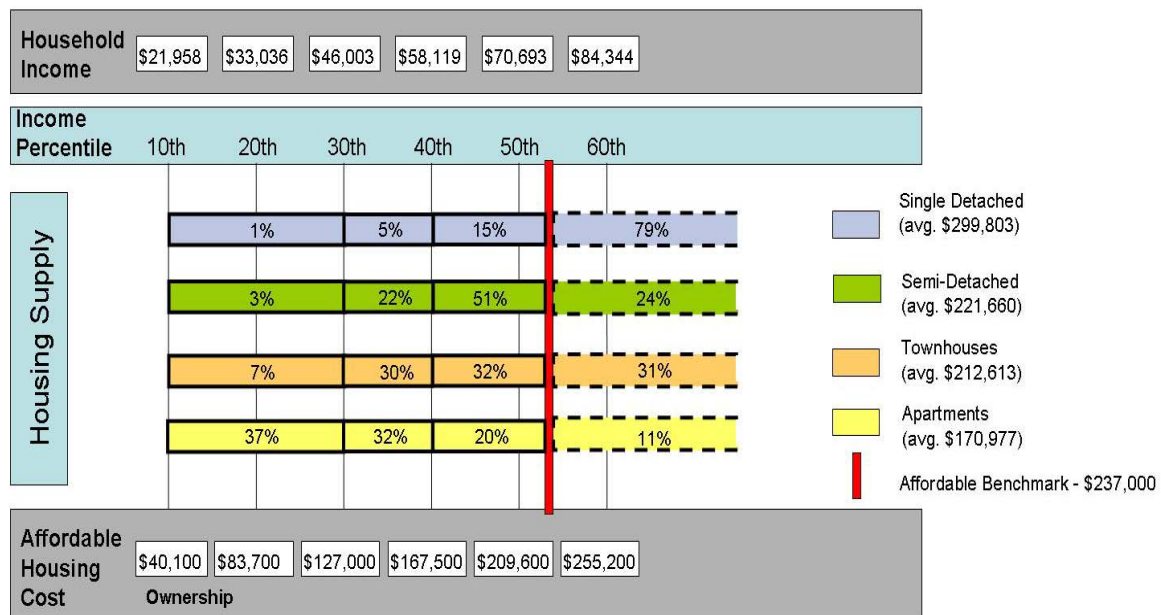
As shown in Figure 8, in 2008, only 1% of all single detached homes and 3% of all semi-detached homes were available between the 10th and the 30th income percentile. The majority (79%) of the single detached dwellings sold above the affordable benchmark price (\$237,000).

Although townhouse prices started approximately at the 10th income percentile, only 7% of all townhouse dwellings were available between the 10th and the 30th percentile.

Apartments were the only housing type that were available across the entire housing continuum (from the 10th percentile to greater than the 60th percentile). In 2008, apartment prices started at the 10th percentile. Thirty-seven (37)% of all apartments sold between the 10th – 30th percentiles in 2008.

In general, homeownership in either the new or resale market is very difficult for households who have an income under the 30th percentile. As shown in Figures 5 and 8, the primary homeownership option for those below the 30th percentile is apartments.

Figure 8: Comparison of Affordable Benchmark with Average Resale House Prices (2008)



Source: Calculated from Guelph & District Association of Realtors' sales data 2008. Household incomes have been calculated from Statistics Canada 2006 Census and have been adjusted upwards by 6.0 % on the basis of the Ontario Consumer Price Index from Statistics Canada.

It is important to note that although the resale market is an important component of affordable housing, it is market driven and cannot be easily influenced by City planning policies. Therefore, the affordable housing target does not include the resale market.

5.0 METHODOLOGY FOR SETTING AFFORDABLE HOUSING TARGETS

5.1 PROVINCIAL POLICY STATEMENT (PPS) HOUSING TARGET

New Construction Target

In order to comply with the PPS (Section 1.4.3), the City is required to "establish and implement affordable housing targets for an appropriate range of housing types which are affordable to low and moderate income households". The affordable housing target will be implemented through new housing construction. Although the resale market may contribute to the overall affordability, municipal planning policy exerts little direct influence on the resale market. Therefore, the affordable housing target applies only to new construction.

Separate Target for Accessory Apartments

Accessory apartments make an important contribution to affordable housing, particularly for the student population. A separate target has been established for

accessory apartment units/year in addition to the affordable housing target. The accessory unit target is discussed in Section 5.3 of this Discussion Paper.

5.2 METHODOLOGY FOR ESTABLISHING THE AFFORDABLE HOUSING TARGETS

Neither the Growth Plan nor the PPS provide a methodology or guideline for how to calculate an affordable housing target. Furthermore, most affordable housing reports do not clearly articulate the methodology applied to calculate the affordable housing target. In order to establish a methodology, a best practice review of various municipal affordable housing studies were reviewed within the Greater Golden Horseshoe (GGH). Discussions were also held with municipal planners and consultants to help inform the City's methodology. The methodology applied to establish an affordable housing target is a hybrid of methodologies from two respected housing consultants whom have completed the majority of the municipal housing target studies¹² in the Greater Golden Horseshoe. The methodology has also been peer reviewed by Lapointe Consulting Inc. A diagram illustrating the methodology for determining the affordable housing target is illustrated in Attachment 4 of this Discussion Paper.

Overview of Methodology

The following is a brief summary of the methodology which should be read in conjunction with Attachment 4.

1. The methodology starts with the number of new households projected to 2031 by housing type (low, medium and high density) as identified in the City's Implications Analysis of the Local Growth Management Strategy (April 20, 2009), e.g., 26,6000 new housing units with a housing mix of 30 % low density, 33 % medium density and 37 % high density (Attachment 4 Step 1).
2. Identify the City's tenure share between ownership vs. rental for the three housing densities based on a 10 year review (1996-2006), e.g., medium density development consists of 80% ownership housing and 20 % rental housing (Attachment 4, Step 2).
3. Determine the number of households in ownership and rental for each housing type for the projected 26,600 households (Attachment 4, Step 3).
4. Identify the percentage of **affordable ownership** housing units historically sold in 2006 below the affordable housing benchmark price by housing type –

¹² SHS Consulting; responsible for housing target reports for various municipalities, including the City of Brantford and Peel Region, and Lapointe Consulting Inc. who has completed housing target reports for the City of Windsor and has published housing reports for CMHC and other municipalities.

low, medium and high density using 2006 Statistics Canada data¹³ (Attachment 4a, Step 2).

5. Apply the 2006 percentage share of ownership units sold below the 2006 affordable benchmark price as a reasonable projection for determining the affordable housing target, e.g., 15 % of low density, 40 % of medium density and 61 % high density should be below the 2006 affordable ownership benchmark price.
6. For **affordable rental housing**, identify the percentage of the rental units in 2008 rented below the affordable benchmark price by housing type.¹⁴ E.g., there were no affordable rental units under low density, while 16 % of all medium density rental units and 45 % of high density rental units were affordable in 2008 (Attachment 4b, Step 2).
7. Apply the percentage share of rental units below the 2008 affordable benchmark price for determining the affordable rental housing target under medium and high density – e.g., 16 % of medium and 45 % of high density should be below the affordable rental benchmark.
8. Since there are no affordable rental units within the low density housing type, no target is recommended for new construction. Instead a separate target has been determined for accessory apartments as discussed previously.
9. Apply the percentage share of affordable ownership and rental under each housing type to determine the total number of affordable housing units required over the 25 year period by tenure and housing type (Attachment 4, Step 5) .
10. Determine the affordable housing target over 25 years as a percentage of new projected growth, e.g., 36 % (Attachment 4, Step 6).
11. Translate the target by tenure and housing type to establish targets for average annual units under low, medium and high density by ownership and rental (Attachment 4, Step 7).

Based on the above methodology, the recommended affordable housing target is **36 % of new construction**. The average annual unit target by ownership and rental under each housing type is illustrated below.

¹³ It was necessary to use 2006 data for this information because there was insufficient data for 2008 for either Guelph alone or the Guelph CMA to determine the percentage affordable ownership by housing type.

¹⁴ There was sufficient data available from Canadian Mortgage and Housing Corporation for 2008 for rental housing.

Annual Average Target for Affordable Housing by Tenure and Housing Type Over 25 Years

Tenure	Low Density	Medium Density	High Density	Total
Ownership	46 units	113 units	123 units	282 units
Rental	-	11 units	87 units	98 units
Total Annual Average Affordable Units				380 units

The following provides an in depth explanation of the critical components of the above methodology.

5.2.1 New Household Growth (2006-2031) by Housing Type (Attachment 4, Step 1)

Figure 9, below illustrates the projected new household growth to 2031 as established in the City’s Implications Analysis of the Local Growth Management Strategy by housing type. These figures are the basis for the projected new growth within which the affordable housing target is established (Attachment 4, Step 1).

Figure 9: Projected New Household Growth to 2031 (Attachment 4, Step 1)

<i>Growth Management Implications Report (April 2009)</i>	Low Density (single/semi detached units)	Medium Density (townhouses/ apartment duplex)	High Density (Apartments with 5 + storeys)	Total
<i># of Households</i>	7,900	8,800	9,900	26,600
<i>% of Households</i>	30%	33%	37%	100%

Source: City’s Implications Analysis of the Local Growth Management Strategy (2009)

5.2.2 Projection of the Tenure Share by Housing Type to 2031(Attachment 4, Step 2)

To determine the overall future demand for ownership and rental housing it is necessary to establish a projected tenure share between ownership and rental housing. The most empirical basis for projecting tenure share was to consider the historical average tenure share and current trends. The historical tenure share between 1996 and 2006 was considered a reasonable and tangible basis for future projections. Figure 10 shows the average breakdown by percentages of households in homeownership and rental tenure for each housing type for the period of 1996-2006.

Figure 10: 1996-2006 Average Tenure and Projected Tenure Share for the 26,600 Projected Units to 2031 (Attachment 4, Steps 2 and 3)

<i>Tenure</i>	Low Density	Medium Density	High Density	Projected Average Tenure Share to 2031
<i>% Owned</i>	98% (7,742 units)	80% (7,040 units)	51% (5,049 units)	75% (19,831 units)
<i>% Rented</i>	2% (158 units)	20% (1,760 units)	49% (4,851 units)	25% (6,769 units)

Source: City of Guelph (2009)

As mentioned earlier, there is a declining trend of rental share in the City. In 1996 the tenure ratio was 60% (ownership) and 40% (rental), by 2006 the tenure ratio has shifted to 69% (ownership) and 31% (rental). The decreasing trend in rental share is not only experienced in Guelph, but also within the County of Wellington and province wide. (See Attachment 3, 7.1 for Comparison of Ownership and rental Distribution (1991-2006) and 7.2 for Comparison of Rental Distribution between Guelph, Wellington County and Ontario.)

Therefore, the above projected average tenure share identified in Figure 10 is considered reasonable to apply as the basis for the projected tenure share for ownership and rental for the 26,600 future units (Attachment 4, Step 2 and 3).

5.2.3 Projected Affordable Share by Housing Type (Attachment 4, Step 4)

The next step of the methodology is to determine the percentage of units that should be affordable within each housing type (low, medium and high density) for both housing tenure (ownership and rental). The following addresses ownership and rental separately.

5.2.3.1 Projected Affordable Ownership Housing by Housing Type (Attachment 4 a, Step 2)

There are no appropriate Census data for 2008 for determining the affordable ownership targets by housing type. Therefore, and for the purpose of determining the affordable ownership housing target by housing type, Statistics Canada Census data from 2006 has been used as the most accurate representation. In order to ensure consistency with the 2006 census data set, the 2006 affordable benchmark price was also used.

Based on 2006 Census data, 15% of low density housing, 40 % of medium density housing, and 61% of high density housing were below the 2006 affordability benchmark price (\$205,500). The following illustrates the methodology to determine the affordability percentage in each ownership housing type.

a) Low Density

Based on Statistics Canada’s custom tabulation data¹⁵ and illustrated below in Figure 11, in 2006, there were a total of 24,215 ownership households in low density housing (Singles and Semi detached dwellings). Approximately 15% (3,620 households) of all low density dwellings fell below the 2006 affordable benchmark price of \$205,500.

As a result, 15% of all low density ownership housing is used as the estimated percentage of affordability in low density ownership. (See Attachment 4, Step 4)

Figure 11: Value of Dwellings by Ownership Housing Type, Guelph CMA¹⁶ (2006)

Value of Dwellings	Low Density		Medium Density		High Density	
	No. of Households	% of Households	No. of Households	% of Households	No. of Households	% of Households
Under \$199,999	3620	15%	1925	40%	1185	61%
\$200,000 to \$249,999	6655	27%	1415	30%	385	20%
\$250,000 or more	13940	58%	1460	30%	365	19%
Total	24215	100%	4800	100%	1935	100%

Source: Statistics Canada Custom Tabulation (2006)

b) Medium Density

The same analysis was carried out for medium density. As shown above in Figure 11, in 2006, there were a total of 4,800 ownership households living in medium density housing. Approximately 40% (1,925 households) of all medium density dwellings fell within the 2006 affordable benchmark price of \$205,500.

As a result, 40% of all medium density ownership housing will be used as the estimated percentage of affordability in medium density ownership. (See Attachment 4, Step 4)

c) High Density

As shown in Figure 11, there are a total of 1,935 ownership households living in high density ownership dwellings. Approximately 61% (1,185 households) of all high density dwellings fell within the 2006 affordable benchmark price of \$205,500.

As a result, 61% of all high density ownership housing will be used as the estimated percentage of affordability in high density ownership. (See Attachment 4, Step 4)

¹⁵ Value of Dwelling by Structural Type of Dwelling, Cat. No. 97-554-X2006043 <http://www12.statcan.gc.ca/english/census06/data/topics/RetrieveProductTable.cfm?Temporal=2006&PID=93626&GID=773688&METH=1&APATH=7&PTYPE=88971%2C97154&THEME=0&AID=&FREE=0&FOCUS=&VID=0&GC=99&GK=NA&RL=0&TPL=RETR&SUB=0&d1=0>

¹⁶ Guelph CMA refers to the City of Guelph and the Township of Guelph/Eramosa. Guelph CMA was the only available data at the time of the research.

d) Projected Affordable Ownership Dwellings (Attachment 4, Step 7)

Based on the above percentages, the following Figure 12 illustrates how these percentages are applied to the projected total number of ownership housing types projected to 2031 to determine the target for affordable ownership units over the 25 years as well as on an average annual basis. For example, on an annual average basis, a target of approximate 46 affordable low density, 113 affordable medium density and 123 high density dwellings are required per year. Therefore, a total annual average of 282 affordable ownership dwellings is required.

Figure 12: Projected Ownership Affordable Housing to 2031

	Low Density	Medium Density	High Density	Total Affordable Ownership
	Single/Semi Detached	Townhouses	Apartment	
<i>Projected total no. of ownership units</i>	7,742	7,040	5,049	19,831
Projected % of Affordable Owned	15%	40%	61%	
# of Affordable Units (25 yr average)	(15% * 7,742) =1,161	(40% * 7,040) =2,816	(61% * 5,049) =3,080	(1,161+2,816+3,080) =7,057
# of Affordable Units (annual average)	(1,161/25) =46 units	(2,816/25) =113 units	(3,080/25) =123 units	(46+113+123) =282 units

Source: City of Guelph (2009)

5.2.3.2 *Projected Affordable Rental Housing by Housing Type(Attachment 4 b, Step 2)*

The Canadian Mortgage Housing Corporation (CMHC) data for 2008 has been used to determine the affordable rental targets by housing type. Therefore, In order to ensure consistency with the 2008 CMHC rental data set, the 2008 affordable rental benchmark price was also used.

Based on 2008 CMHC rental data, there were no low density housing below the affordable benchmark rent; 6% of medium density housing, and 45% of high density housing were below the 2008 affordability benchmark price of (\$833). The following illustrates the methodology to determine the affordability percentage in each rental housing type.

a) Low Density Rental Affordable Target - 0%

As indicated above, CMHC does not have rental data for low density dwellings. According to the Canadian Real Estate Association¹⁷ and various local rental real

¹⁷ www.mls.ca -City of Guelph Rental

estate listings, there are no single/semi detached rental dwellings available at the affordable benchmark price of \$833. Even with senior government subsidy, it is difficult to construct a single or semi-detached dwelling to rent at \$833 monthly.

As a result, it is assumed that it is unrealistic to plan for a target for low density dwellings within the affordability benchmark price of \$833. Therefore, no target is proposed under low density rental. (See Attachment 4, Step 4)

b) Medium Density Rental Affordable Target - 16%

Based on CMHC's data, in 2008, there were a total of 904 rental households in medium density housing (townhouses). Approximately 16% (145 households) of all medium density dwellings fell within the affordable benchmark of \$833.

As a result, 16% of all medium density rental units is used as the estimated percentage of affordability in medium density rental. (See Attachment 4, Step 4)

c) High Density Rental Affordable Target – 45%

The same analysis was carried out for high density. In 2008, there were a total of 6,365 rental households in high density housing, and 45% (2,842 rental households) paid rent at \$833 or less. The affordable units were predominantly bachelor and one bedroom units. (See Attachment 3, 8.5.6 Average Rental Price by Bedroom Type (2008)).

As a result, 45% of all high density rental units is used as the estimated percentage of affordability in high density rental. (See Attachment 4, Step 4)

Based upon the total projected number of high density dwelling units to 2031 of 4,851 units, 45% of high density units over the 25 year time frame translate to an average annual requirement of 87 high density affordable rental units.

The target for high density affordable rental units is aggressive to what has been built in the past. Between 2003 and 2006, 77 units were completed with senior government funding, for an annual average of approximately 25 units per year. However, it is anticipated that the high density affordable rental housing target of 87 units per year would be achievable if the following conditions apply:

- Senior government and the Service Manager continue to support and fund the construction of high density affordable units; and
- More high density rental development is encouraged and occurs within the City.

d) Projected Affordable Rental Housing By Type (Attachment 4, Step 7)

Based on the above calculations, the following Figure 13 shows the break down of affordability in each rental housing type for a total annual average of 98 affordable rental dwellings.

Figure 13: Projected Rental Affordable Housing to 2031

	Low density	Medium Density	High Density	Total
	Single/Semi Detached	Townhouses	Apartment	
<i>Projected total no. of rental units</i>	158	1,760	4,851	6,769
% Affordable Rented	0%	16%	45%	
# of Units (25 yr average)	0	(16% * 1,760) =282	(45% * 4,851) =2,183	(282+2,183) =2,465
# of Units (annual average)	0	(282 /25 years) =11 units	(2,183 /25 years) =87 units	(11+87 years) =98 units

Source: City of Guelph (2009)

5.2.4 Projected City-wide Affordable Housing Target

Figure 14 below shows that for the 25 year period (2006-2031) there will be a need for an additional 282 affordable ownership housing and 98 affordable rental units for a total of 380 units annually. Therefore, over the 25 year period, 9,522 units (380 units x 25 years = ~9,522 units) of the 26,600 new households will be targeted for affordability. This represents an overall total of 36% of all newly constructed residential ownership and rental units that would be affordable to low and moderate income households as defined by the Growth Plan and the 2005 Provincial Policy Statement.

Figure 14: Annual Average Affordable Housing Targets by Housing Type and Tenure

	Low Density	Medium Density	High Density	Total
Calculated Affordable Units Per Year				
Ownership	46	113	123	282
Rental		11	87	98
Average Annual Affordable Units				380
% Affordable Units of Total Growth (per annum)				36%

Source: City of Guelph (2009)

5.2.5 Number of Households within the Affordable Household Price Range

Having established the affordable housing target for the City, it is important to test the target against the number of households in both home ownership and rental housing which fall under the affordable benchmark. Due to the lack of data for 2008, 2006 Census data has been used for this analysis for both the equivalent affordable benchmark income and house prices.¹⁸

As shown in Figure 15, 41% of all ownership households in 2006 were earning below the 2006 affordable ownership household income of \$69,500. In comparison, 43% of all rental households were earning below the 2006 affordable rental household income of \$32,800 or less.

Overall, in 2006, approximately 41%¹⁹ of all households in Guelph were under the 2006 affordable ownership and rental benchmark. This percentage can be used to test the appropriateness of the recommended target.

The recommended 36 % target has been compared against the 2006 data for the number of households below the 2006 affordable household income within the Guelph CMA.²⁰

Therefore, assuming this percentage remains similar in 2008, an affordable housing target for new development of **36%** combined with the target for 90 accessory apartments per year, as discussed below, would be a reasonable target to meet the projected households under the affordable benchmark.

Figure 15: Number of Households by Tenure under the Affordable Benchmark²¹
(2006)

Ownership Households			Rental Households		
Average Annual Household Income	No. of Households	% of Households	Average Annual Household Income	No. of Households	% of Households
Under \$10,000	580	2%	Under \$5,000	490	3%
\$10,000 - \$19,999	1125	3%	\$5,000 - \$9,999	705	5%
\$20,000 - \$29,999	1635	5%	\$10,000 - \$14,999	1185	8%
\$30,000 - \$39,999	2185	6%	\$15,000 - \$19,999	1425	10%

¹⁸ While there are no appropriate Census data to determine the number of households in 2008, the 2006 census data was used. In addition, in order to be consistent with the data set, the 2006 affordable benchmark price was also used.

¹⁹ $34,515$ (ownership households) + $14,015$ (rental households) / $\sim 48,530$ (total households) = 41% ($20,065$ total households below the 2006 affordable ownership/ rental benchmark price) in 2006.

²⁰ The Guelph CMA included Guelph/Eramosa Township

²¹ Figure 9 was generated based on available data from Statistics Canada's Guelph CMA which includes the City of Guelph and the Township of Guelph / Eramosa.

\$40,000 - \$49,999	2585	7%	\$20,000 - \$24,999	1175	8%
\$50,000 - \$59,999	2750	8%	\$25,000 - \$29,999	995	7%
\$60,000 - \$69,000	3230	9%	Sub-total	5975	43%
Sub-total	14090	41%	\$30,000 and over	8075	57%
\$70,000 and over	20435	59%	Total	14015	100%
Total	34515	100%			

Source: Statistics Canada 2006 Census Custom Tabulation Household Income²²

5.3 ACCESSORY APARTMENTS

Accessory Apartments within single and semi-detached dwellings make an important contribution to affordable housing. As shown in Figure 16 - the City's Building Permit records, from 2005-2008 there were an average of 93 accessory apartment permits issued annually.

Figure 16: Number of Accessory Apartment Permits Issued (2005 - 2008)

	2005	2006	2007	2008	4 Year Average (2005-2008)
Number of Accessory Apartment permits	104 permits	88 permits	92 permits	89 permits	93 permits

Source: City of Guelph's Building Permit Records (2009)

Based on the historical annual supply, and the importance of accessory apartments as part of the affordable housing stock, a target of 90 units per year is a reasonable target. This target is proposed separately from the overall affordable housing target since these units are accommodated in both existing and new housing.

Based on this historical annual supply, and the importance of accessory apartments as part of the affordable housing stock, **a target of 90 units per year** is recommended.

5.4 EXISTING OFFICIAL PLAN HOUSING POLICY vs RECOMMENDED AFFORDABLE HOUSING TARGET

The following discusses the distinction between the policies in the existing Official Plan and the affordable housing target recommended above. The City's current affordable housing policies encourages affordable housing in plans of subdivision that are designed for moderate and lower income households and in large

²²<http://www12.statcan.gc.ca/english/census06/data/topics/RetrieveProductTable.cfm?Temporal=2006&PID=96272&GID=838011&METH=1&APATH=7&PTYPE=88971%2C97154&THEME=0&AID=&FREE=0&FOCUS=&VID=0&GC=99&GK=NA&RL=0&TPL=RETR&SUB=0&d1=4>

subdivisions. The policy does not mention applicability on a City wide basis. The provisions are cited below:

*“Encouraging the provision of **affordable housing** in plans of subdivision that are designed for moderate and lower income households, and, more particularly, **for large subdivisions requiring this housing form to be provided to a minimum 25% of the total potential units.**”(Section 7.2.2.2 c)*

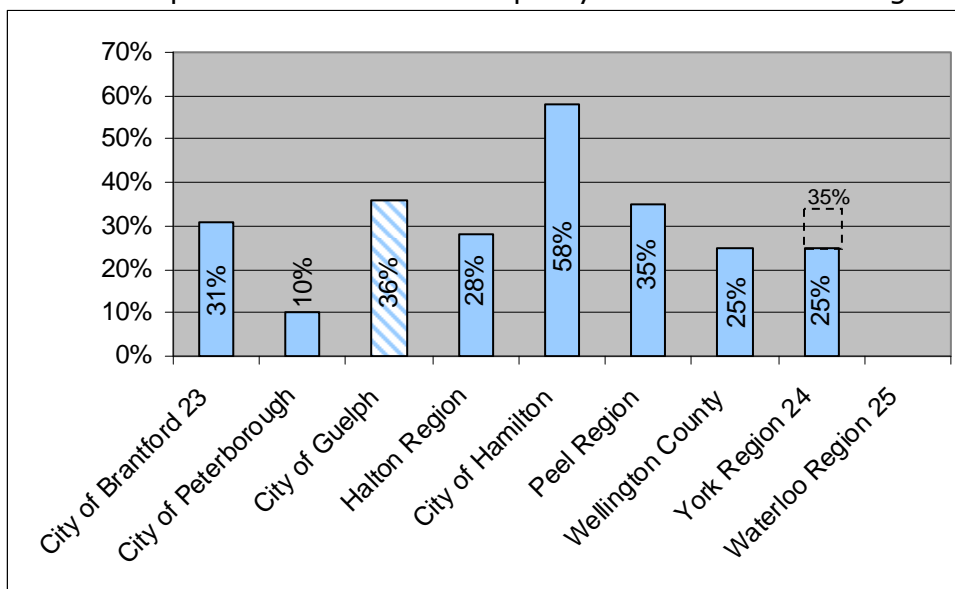
Secondly, the numerical figure of 25% was a historical provision, first mentioned in the 1989 Provincial Housing Policy Statement, which encouraged all municipalities to create a minimum of 25% affordable units through development. During the formulation of the 1996 Provincial Policy Statement, this numerical requirement was removed. However, several municipalities, including the City of Guelph, retained a policy to encourage 25% of new large subdivisions to provide for affordable housing.

However, the 2005 Provincial Policy Statement requires municipalities to establish and implement minimum housing targets that will be affordable to low and medium income families. Therefore, the determination of a target will be unique to each municipality and the recommended affordable housing target of 36% cannot be objectively compared to the 25% target encouraged by the 1989 Provincial Housing Policy Statement.

5.5 OTHER MUNICIPAL AFFORDABLE HOUSING TARGETS

As discussed previously, there is no standard methodology or guideline developed by the Province to guide municipalities on how to determine affordable housing targets. As a result, the affordable housing targets and methodology for each municipality varies across Ontario. As shown in Figure 17, the affordable housing targets range from 10% to 58%. It should be noted that most of the affordable targets identified on Figure 17 are draft targets yet to be approved. Only Halton, Peterborough and Waterloo have approved targets identified in their Housing Strategies and/or Official Plan.

Figure 17: Comparison of Other Municipality’s Affordable Housing Targets



Source: Various housing reports and interviews with planners at various municipalities

Since the methodology and assumptions vary with each municipality, it is difficult to compare affordable housing targets. However, the City of Guelph's proposed 36% affordable housing target is comparable to other municipalities. As Figure 17 above indicates, the City of Brantford and the Region of Peel have identified targets in the 31 to 35 % range. The City of Hamilton has recommended an aggressive target of 58% (yet to be finalized) in their draft affordable housing report. The Region of York has identified an overall target of 25 % with a 35 % target within the Regional Centres and Regional Corridors. The recommended target for the City of Guelph is not inconsistent with other municipalities in the Greater GTA.

Affordable housing targets for Kitchener/Waterloo and Cambridge are addressed by the Region of Waterloo. Waterloo Region does not have a percentage target but instead has proposed a numerical target of 500 units over the next 5 years²⁶ e.g., approximately 100 units per year.

Most municipalities have established their targets on the basis of a percentage of new development. However, a percentage approach is often difficult to interpret. Therefore, the City's target has included both the percentage of new development as well as a numerical target for ownership and rental under each housing type. This approach is based on the Growth Plan requirement to address affordable housing in terms of home ownership and rental, as well as the City's Growth Management Strategy, which projected housing types²⁷. This approach is similar to that applied by the Region of Halton and provides for a methodology that can be replicated and monitored more effectively.

²³ The City of Brantford's draft Official Plan policy refers to an affordable housing target of 180 units per year. Based on their 2003 Affordable Housing Strategy Report, where 584 new units are projected per year, this represents 31 %. City of Brantford's housing target is 31% in its draft official plan which refers to an annual housing target of 180 affordable unit with an annual average of new 584 units (2003 Affordable Housing Strategy Report).

²⁴ York Region's overall target is 25%, however a target of 35% is applied to the Regional Centres and Regional Corridors.

²⁵ The Region of Waterloo has not proposed a housing target on a percentage basis. Rather, Waterloo Region based its target on the available funding from all three levels of government. The Region has committed to create a total of 500 units (400 units of affordable housing and 100 units of assisted housing) over 5 years e.g. ~100 units per year.

²⁶ Region of Waterloo's 2008 -2013 Affordable Housing Strategy
[http://www.region.waterloo.on.ca/web/region.nsf/97dfc347666efede85256e590071a3d4/79A9C4C2E7D0540B8525724B00715633/\\$file/new%20AHS.pdf?openement](http://www.region.waterloo.on.ca/web/region.nsf/97dfc347666efede85256e590071a3d4/79A9C4C2E7D0540B8525724B00715633/$file/new%20AHS.pdf?openement)

The Region of Waterloo has not proposed a housing target on a percentage basis. Rather, Waterloo Region based its target on the available funding from all three levels of government. The Region has committed to create a total of 500 units (400 units of affordable housing and 100 units of assisted housing) over 5 years e.g. ~100 units per year.

²⁷ City of Guelph's Growth Management projected housing type is 30 % low density, 33 % medium density and 37 % high density to 2031.

The City of Guelph's affordable housing target is based on the City's unique housing circumstance and the methodology outlined in Attachment 4 of this Discussion Paper.

In addition, through the Growth Management Strategy the overall distribution of housing in the City will change to provide a more equal distribution of housing types. As a result, the City will have a significant increase of medium and high density developments in the future. Since traditionally, affordable developments are found in medium and high density housing forms, it is assumed as the City continues to move towards higher density development, the opportunity for affordability in these housing forms will also increase.

6.0 IMPLEMENTATION TOOLS

The purpose of this section of the report is to provide City Council with a preview of the existing tools planning staff consider as appropriate to stimulate the production of affordable housing. Expanding on the City's 2002 Affordable Housing Action Plan and interviews with other municipalities for their affordable housing efforts, planning staff has provided a summary of action and new recommendations and tools for Council's consideration in consultation with the public and community stakeholders.

Recommendations

These implementation tools are provided for review and input through the public engagement process.

6.1 PLANNING TOOLS

10. Include the City-wide affordable housing target for affordable ownership and affordable rental housing under low, medium and high densities as part of Official Plan policy.
11. Establish policy in the Official Plan to require the demonstration of how the affordable housing target will be met by the project.
12. Set maximum unit sizes for affordable housing units in the zoning by-law to reduce the overall construction cost and therefore increase affordability.
13. Within certain areas of the City allow a development permit system with incentives for affordable housing.

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14. Revisit the recommendation of the Housing First Policy from the 1990 Municipal Housing Statement to allow any surplus City-owned lands to be offered to non-profit housing groups for rental housing construction.
 15. Review the list of development standards such as (parking requirements and setbacks) to possibly reduce barriers to affordable housing construction.
 16. To protect the existing rental stock, review and strengthen the existing policies for Demolition Permits and rental conversions.
 17. Explore the feasibility of a density bonusing system that provides developers with additional density in exchange for providing affordable housing. For example, provide additional area provided an area equivalent to the equivalent to the increase is allocated to affordable housing.
 18. Update and monitor the affordable housing target by housing type annually.

6.2 FINANCIAL TOOLS

6. Establish an annual contribution to maintain the Affordable Housing Reserve fund to support additional affordable housing construction.
7. To effectively manage the Affordable Housing Reserve Fund, the City will establish formal review criteria, eligibility and application process for the consideration of affordable and social housing projects for small scale non-profit projects.
8. Investigate if Tax Incremental Financing (TIF) is an appropriate tool to encourage the creation of affordable housing.
9. Continue to apply a lower tax rate for affordable multi-residential rental housing at the residential/farm rate.
10. To revisit the feasibility of the "Add a unit Program" which is a program where the municipality provides an up-front grant to renovate an existing upper storey or basement for affordable housing on the condition that the unit(s) are maintained as affordable housing over a fixed period of time.

6.3 COMMUNICATION TOOLS

5. Make a strong effort to promote any affordable housing programs provided by all levels of government to the public to encourage implementation, e.g.,

encourage Request for Proposals when senior government funding comes available.

6. Undertake social marketing to educate and communicate to the public on the benefits of affordable housing with a view to minimize NIMBYism.
7. Continue dialogue with the Service Manager and the federal and provincial government for more tools to require applicants to provide a portion of their development for affordable housing.
8. To encourage opportunities for working with the University of Guelph and Conestoga College to establish special programs that combines affordable housing and education for students in need.

7.0 NEXT STEPS

The Discussion Paper will be provided to the public through the City's web site, and circulated to local stakeholders (i.e., Wellington Guelph Housing Committee, the County of Wellington, housing providers, businesses, the builders and development associations, the Province and applicable City departments for review and comment.

A minimum of two open houses will be scheduled and meetings with key stakeholders will be conducted through the month of November 2009 in order to receive feed back on the Discussion Paper and the recommended targets and tools.

Following public consultation, the Discussion Paper may be refined and the affordable housing targets and policies will be developed and incorporated into the draft Official Plan Update. The draft Official Plan Update will be subject to additional public meetings and stakeholder input including a statutory public meeting before finalized for consideration by Council.