

STAFF REPORT



TO Infrastructure, Development and Enterprise Committee

SERVICE AREA Infrastructure, Development and Enterprise

DATE December 8, 2015

SUBJECT Affordable Housing Strategy: Draft Directions Report

REPORT NUMBER 15-101

EXECUTIVE SUMMARY

PURPOSE OF REPORT

To present the Draft Directions Report, identify affordable housing tools, describe current City of Guelph and other municipalities' practices, and present potential draft directions to address the issues identified in the State of Housing Report. The community will be engaged on the potential draft directions prior to recommending responses in the Draft Affordable Housing Strategy.

KEY FINDINGS

This report and the Draft Directions Report (Attachment 1 and 2) present municipal affordable housing tools, current responses, and potential draft directions to address the City's affordable housing issues.

According to data presented in the State of Housing Report, the Guelph market has a sufficient supply of ownership housing but lacks a sufficient supply of smaller units (bachelor and one bedroom) to meet the needs of smaller households including one person households and couples without children. The overall supply of rental housing is insufficient and the security of the secondary rental market is of concern.

Municipalities have a variety of tools available to them to address affordable housing issues. The tools fall into the following five categories:

1. Regulatory
2. Policies and Procedures
3. Financial
4. Partnerships
5. Advocacy

The City is already using a number of these tools with good success that support affordable housing within the City. The City's accessory apartment regulations have created, on average, approximately 120 registered accessory apartments each year since 1995. These units provide both affordable home ownership and secondary rental options and tend to have lower rental rates than other types of

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rental units. In addition accessory apartments provide housing for smaller households given the current two bedroom size limit.

Following a review of previous City affordable housing reports and the practices of other municipalities, 24 potential draft directions have been formulated using available municipal tools including:

1. Review regulations and by-laws to identify unnecessary barriers/disincentives to the creation of affordable housing, in particular small units (e.g. tiny houses, bachelor, one bedroom units) and primary rental housing units and make recommendations for changes to policy and regulations.
2. Establish a policy to increase the utilization of municipal lands for affordable housing where appropriate and make housing providers aware of lands being disposed of by the City.
3. Provide direct financial incentives (e.g. reserve, grants, Add a Unit Program, etc.) for smaller rental units (bachelor and one bedroom) and primary rental housing.
4. Initiate or support a demonstration project with partners showcasing affordable housing, especially smaller units (bachelor and one bedroom units).
5. Advocate for inclusionary zoning as a tool for municipalities to require development applications to include affordable housing units.

On June 17, 2015 a Council Workshop on affordable housing was held to present the roles and responsibilities for affordable housing, the housing continuum (non-market and market housing), affordable housing research findings and issues and gauge Council perspectives on affordable housing.

Overall, Council members strongly agreed that municipalities should encourage private investment in affordable housing through planning, financial, regulatory and other tools. They agreed that solving the challenges with affordable housing requires new and innovative solutions that may involve a degree of risk, that municipalities have a role in leveraging investments from other orders of government and that municipalities should advocate together with a shared agenda aimed at other levels of government to increase investment in affordable housing.

FINANCIAL IMPLICATIONS

The development of the Affordable Housing Strategy is funded through approved capital funding.

ACTION REQUIRED

To receive the Affordable Housing Strategy: Draft Directions Report and use it as the basis for community engagement to further develop the draft directions.

RECOMMENDATION

1. That Report 15-101 from Infrastructure, Development and Enterprise (IDE) regarding the Affordable Housing Strategy: Draft Directions Report dated December 8, 2015 be received.
2. That Council supports the use of the Draft Directions Report set-out in IDE Report No. 15-101 as the basis for community engagement to further develop actions for inclusion in the draft Affordable Housing Strategy.

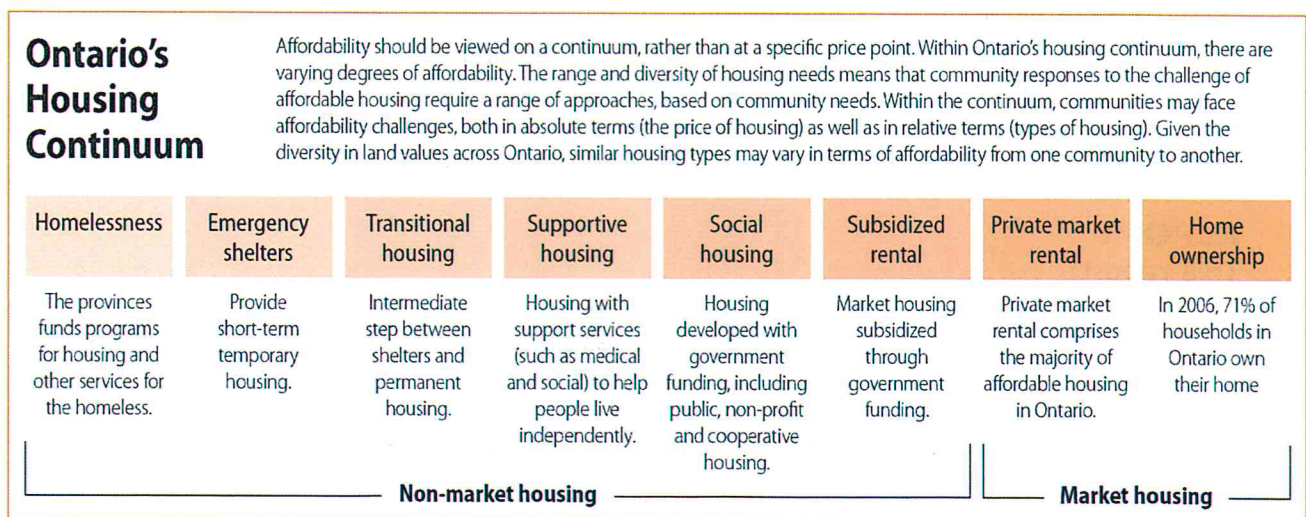
BACKGROUND

The Affordable Housing Strategy is intended to address municipal requirements under the Provincial Growth Plan and Provincial Policy Statement regarding planning for a range of housing types and densities by establishing and implementing minimum targets for the provision of affordable rental and ownership housing. The Strategy is intended to provide further clarity around affordability issues and advance the Official Plan policies by providing an implementation plan that addresses identified issues and achievement of the city-wide affordable housing target (30% of new development annually to be affordable) along with a mechanism to implement and monitor achievement of the target.

Affordable housing is viewed across a full continuum of housing which includes non-market housing (e.g. emergency shelters, social housing) and market housing (i.e. private market rental and home ownership) as shown in Figure 1.

Within the City of Guelph approximately 96% of the housing supply is market housing (65% ownership, 31% rental) leaving 4% as non-market housing. Within the private market rental housing supply, approximately 55% of rental units are within the primary rental market with 45% within the secondary rental market.

Figure 1:



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On April 7, 2014 PBEE Committee received Staff Report 14-15 Housing Strategy Background Report and Proposed Project Charter with Council subsequently approving the project charter (See link <http://guelph.ca/city-hall/planning-building-zoning/community-design/housing/>). The approved project charter scoped the City of Guelph Housing Strategy to focus on affordable market housing. This approach recognizes the continued lead role of the County of Wellington as the Service Manager in administering social housing and income programs, and implementing the Housing and Homelessness Plan. The scope also recognizes the City's land use planning role, policy drivers, responsibilities and tools available to the City. The Background Report provides a general overview of the housing continuum; definition of affordable housing; summary of various government roles, responsibilities and relationships; background policy documents; past studies and reports; and City funding initiatives.

On October 6, 2015 IDE Committee was presented Staff Report 15-37 State of Housing Report (See link <http://guelph.ca/city-hall/planning-building-zoning/community-design/housing/>). The State of Housing Report, presented a demographic and statistical analysis of households in Guelph to identify and understand affordable housing issues affecting rental and ownership market housing in the City of Guelph.

The State of Housing Report identified the following problem statement for the City's affordable housing issues:

The range of housing options available in Guelph is not fully meeting the affordability needs of low and moderate income households.

The following three (3) issues emerged out of the data analysis and provide scope for the Draft Directions Report:

1. There are not enough small units to rent or buy to meet the affordability needs of all smaller households.
2. A lack of available primary rental supply makes it difficult for people to find affordable rental housing.
3. The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

REPORT

This report:

- 1) provides the Draft Directions Report including:
 - municipal tools for affordable housing;
 - current City of Guelph responses and results;
 - other municipal responses;
 - potential draft directions to address Guelph's affordable housing issues;and

- 2) outlines next steps in the work plan to complete the Strategy which includes a community engagement process.

Draft Directions Report

The Draft Directions Report (Attachment 1 and 2) begins by presenting tools available to municipalities to help address affordable housing issues using the "Municipal Tools for Affordable Housing" handbook produced by the Ministry of Municipal Affairs and Housing in Summer 2011, as a guide (See Attachment 3). The report illustrates the tools with examples from the City of Guelph and other municipalities within the Province of Ontario. Establishing a good understanding of the tools available helps support an informed discussion, with community stakeholders, on how the tools could be used to address the affordable housing issues identified in Guelph.

The City's current practices were reviewed next to identify existing successes and areas that could benefit from further investigation. In addition responses by other municipalities were reviewed with a focus on comparator municipalities. Within the Province of Ontario, the City of Barrie serves as the best comparator given its single tier status (not part of a regional municipality), population size, presence of a post-secondary institution, it is not the Service Manager for social housing and it is included on Guelph Council's approved list of comparator municipalities. However, unlike the City of Guelph, Barrie has its own municipal non-profit housing corporation through which the municipality is involved in the development and operation of affordable and/or social housing. Other municipalities were reviewed in part due to their recent work on affordable housing including Hamilton, London, Kingston, Ottawa, Durham Region and York Region.

The potential draft directions outlined in this report and Table 1: Summary of Affordable Housing Tools were identified by looking at how the tools and practices of other municipalities could be used to address each of the three affordable housing issues identified in Guelph (i.e. need for smaller units, lack of primary rental supply, and security of the secondary rental market). In addition previous affordable housing report recommendations for the City of Guelph were reviewed to identify directions that remain relevant to the City's current affordable housing issues. Feedback received from a Council Workshop on affordable housing held on June 17, 2015 was also reviewed.

Each potential draft direction was assessed in terms of criteria related to its potential to address the identified issues. The assessment resulted in a high, medium or low assessment of potential being assigned to each direction to identify directions with the most promise for results. The assessment criteria are based on the degree of city control, impact on the three affordable housing issues and ease of implementation. Table 1 from the Draft Directions Report, included as Attachment 2 provides a summary of affordable housing tools and directions. Many of the directions are intertwined and suggest an order of implementation while others are independent of other potential responses.

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Municipal Tools for Affordable Housing

Municipalities have a variety of tools available to them to address affordable housing issues. The tools fall into the following five categories:

1. Regulatory
2. Policies and Procedures
3. Financial
4. Partnerships
5. Advocacy

Regulatory responses include Municipal Act, Planning Act and Development Charges Act responses. Policies and procedures include complete application requirements, height and density bonusing procedures, and the potential use of municipal lands. Financial responses include funding programs, financial incentives and funding reserves. Partnership responses include working with other stakeholders on producing resource documents, communications materials and potential demonstration projects. Advocacy work revolves around inclusionary zoning, which would allow a municipality to require development applications to include affordable housing units, and corporate strategies dealing with increasing senior government investments and strategies.

Current City of Guelph Responses and Results

The City has a number of tools in place that assist with the provision of affordable housing. For example, in 1998 the City instigated a "New Multi-residential" property tax class for newly constructed multi-residential buildings (seven or more apartment units under single ownership, i.e. rental apartments) that was equal to the "Residential" property class to help stimulate the development of multi-residential housing that can be a form of affordable housing. The "New Multi-residential" property tax class applied for a period of eight years, from the date of occupancy, after which time the property would be subject to the higher multi-residential property tax rate. In 2002, the "New Multi-residential" property tax class was extended to apply for a period of 35 years for any developments that occurred since 1998. The "New Multi-residential" property tax rate (approximately 1.03% in 2015) is less than half of the rate set for "Multi-residential" properties (approximately 2.1% in 2015). As noted in Table 1 since the inception of the new multi-residential property tax class in 1998, 302 rental units have been created with the largest percentage of known unit sizes being one bedroom.

The City has been viewed as a best practice for its accessory apartment regulations which have created, on average, 117 registered accessory apartments each year since 1995. As of December 31, 2013 a total of 2,123 accessory apartments were registered. These units provide both affordable home ownership and secondary rental options. The accessory apartments tend to have lower rental rates than other types of rental units and tend to service smaller household sizes given the current two bedroom size limit. However, based on a survey of registered accessory apartments conducted during November-December 2014, 25% of accessory apartments are not currently being rented.

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The Affordable Housing Reserve created in 2002 has provided approximately \$1.3 million in funding for a full range of housing including emergency housing (e.g. Wyndham House), non-profit social housing (e.g. Guelph Non-Profit Housing) and ownership housing (e.g. Habitat for Humanity). The funding has supported the creation of 16 emergency shelter units, nine transitional housing units, 84 rental units and 196 ownership housing units, each project having its own agreement and unique funding levels.

The City of Guelph chose not to incorporate affordable/social housing exemptions and/or charges into its 2014 Development Charges By-law. At the time the City did not have a contemporary policy to guide its potential involvement in financially incenting or otherwise supporting the construction of affordable housing. In addition the City is not the Service Manager for social housing and there is no plan in place to develop social housing. The Development Charges Act requires proven "intent" for all projects included in development charges.

The City has used Community Improvement Plans (CIP) to support Downtown and Brownfield redevelopment but not specifically to address affordable housing needs. A CIP would allow the municipality to develop financial incentives to address identified needs, broadening the use of City financial reserves, including tax increment financing.

Other Municipal Responses

A number of municipalities across the Province of Ontario are also developing responses to their affordable housing needs. In particular, the need for additional primary rental housing supply is a common issue amongst municipalities along with developing regulations for accessory apartments, a common form of secondary rental housing.

The cities of Barrie, Hamilton and Ottawa and the Regions of Peel and York have development charges by-laws that provide residential exemptions based on specific criteria. For example in Barrie residential uses within the City Centre Planning Area are subject to a 25% discount of the development charges applicable to the development. In Hamilton exemptions are provided for residential intensification (e.g. addition of two units to a single detached unit), redevelopment (e.g. conversion of single detached unit into a rooming house), affordable housing (e.g. in receipt of senior government or CityHousingHamilton funding) and student residences (50% exemption if built by accredited post-secondary institution or accredited private secondary school). In addition Halton Region has added social housing as a General Service under their development charges by-law which allows them to collect funding for the future provision of social housing.

The City of Oshawa has adopted a Community Improvement Plan to encourage the development of apartments and block townhouses in the areas surrounding their post-secondary educational institutions while Hamilton is targeting downtown

reinvestment in a Community Improvement Plan by providing interest free loans for projects that are predominately residential.

Many municipalities have supported advocacy efforts around the establishment of a National Housing Strategy, new regulatory tools, such as inclusionary zoning, and secure, on-going funding for the development and operation of affordable housing from senior levels of government.

Potential Draft Directions to Address Guelph's Housing Issues

The Draft Directions Report (Attachment 1 and 2) presents a number of potential draft directions to address the three affordable housing issues identified in the State of Housing Report. The directions build on the City's successes and the approaches used by other municipalities. The potential draft directions include recommendations from previous reports including the 2002 Affordable Housing Action Plan, 2005 Wellington and Guelph Housing Strategy, 2009 Affordable Housing Discussion Paper and Housing and Homelessness Plan for Guelph Wellington (2013) that remain relevant to Guelph's current affordable housing issues. In addition feedback received from the July 17, 2015 Council Workshop are included in the potential draft directions.

Each potential draft direction has been assessed based on the degree of city control, impact on the three affordable housing issues and ease of implementation. The assessment resulted in a high, medium or low assessment of potential being assigned to each direction to identify those with the most promise for results. Interdependencies between directions were identified since some directions are dependent on others suggesting an order of implementation while others are independent of other potential responses.

City staff conducted an initial review of the directions outlined in Attachment 1 and 2 which identified the following that showed promise for results:

Regulatory:

- Increase the City's affordable rental housing target by modifying the tenure split of the 30% affordable housing target included in the City's Official Plan.
- Review regulations and by-laws to identify unnecessary barriers/disincentives to the creation of affordable housing, in particular small units (e.g. tiny houses, bachelor, one bedroom units) and primary rental housing units and make recommendations for changes to policy and regulations.
- Provide financial incentives for affordable housing through the development of a Community Improvement Plan (CIP) and/or modification of the Downtown Community Improvement Plan.

Policy and Procedures:

- Establish a policy to increase the utilization of municipal lands for affordable housing where appropriate and make housing providers aware of lands being disposed of by the City.

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Financial:

- Provide direct financial incentives (e.g. reserve, grants, Add a Unit Program, etc.) for smaller rental units (bachelor and one bedroom) and primary rental housing.

Partnerships:

- Research innovative housing with partners to create a resource document that could be used with other tools and support the development of affordable housing e.g. pocket housing.
- Initiate or support a demonstration project with partners showcasing affordable housing, especially smaller units (bachelor and one bedroom units).
- Work with the County as Service Manager and housing providers to identify the potential to intensify existing social housing properties and assist with implementation where appropriate.

Advocacy:

- Advocate for inclusionary zoning as a tool for municipalities to require development applications to include affordable housing units.

Council Workshop

A Council Workshop on affordable housing was held on June 17, 2015 to present the roles and responsibilities for affordable housing, the housing continuum (non-market and market housing), affordable housing research findings and issues. During the workshop Council perspectives on affordable housing were gauged and input on the Province's Long-Term Affordable Housing Strategy Update was received.

Overall, Council members strongly agreed that municipalities should encourage private investment in affordable housing through planning, financial, regulatory and other tools. They agreed that solving the challenges with affordable housing requires new and innovative solutions that may involve a degree of risk, which municipalities have a role in leveraging investments from other orders of government and that municipalities should advocate together with a shared agenda aimed at other levels of government to increase investment in affordable housing. There was also strong agreement that if municipalities had the legislative authority to require developers to build affordable housing (i.e. inclusionary zoning) they should use that authority to require a certain amount of affordable housing in new developments.

Next Steps

Following the release of the Draft Directions Report, key stakeholders will be consulted on the potential draft directions and how the directions could address the City's identified affordable housing issues. The targeted discussions with key stakeholders will help refine the directions and options to be presented to the broader public.

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The broader community engagement will be undertaken to inform the public about the data, issues and tools available to address the issues. The public's level of support for the potential draft directions and priorities will also be solicited.

The Draft Affordable Housing Strategy will incorporate findings from the Background Report, State of Housing Report, Draft Directions Report and outcome of the key stakeholder and public engagement processes. The final Affordable Housing Strategy is scheduled for completion in Q2 2016.

CORPORATE STRATEGIC PLAN:

2.2 Innovation in Local Government - Deliver public services better.

3.1 City Building - Ensure a well-designed, safe, inclusive, appealing and sustainable City.

FINANCIAL IMPLICATIONS:

Council approved funding in the capital budget for completion of the Housing Strategy. The budget has been used for data acquisition and analysis, including a survey of registered accessory apartments. Funds remain for the implementation of a community engagement process.

DEPARTMENTAL CONSULTATION:

The Draft Directions Report was developed with the assistance of a cross departmental team with representatives from Planning, Urban Design and Building Services; and Culture, Tourism and Community Investments. Intergovernmental Relations, Policy and Open Government; Communications and Customer Service; Business Development and Enterprise; Legal and Finance staff were consulted on specific directions as required.

COMMUNICATIONS:

A Community Engagement Plan has been developed in coordination with Community Engagement and Communications staff. The public will be consulted throughout this process in accordance with the Community Engagement Plan.

ATTACHMENTS

- *Attachment 1 Draft Directions Report
- Attachment 2 Table 1: Summary of Affordable Housing Tools
- Attachment 3 Municipal Tools for Affordable Housing

* Attachment 1, 2 and 3 are available on the City of Guelph website at <http://guelph.ca/city-hall/planning-building-zoning/community-design/housing/>). Click on the link for the December 8, 2015 Affordable Housing Strategy: Draft Directions Report (with attachments).

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