

Affordable Housing Strategy: Draft Directions Report

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1 Introduction

The draft directions presented in this report are meant to address the affordable housing problem statement and issues that emerged from the data analysis and community engagement work presented in the State of Housing Report (October 2015).

The purpose of this report is to first present municipal tools for affordable housing along with City current practices and what other municipalities are doing. Establishing a good understanding of the tools helps determine additional actions the City of Guelph could explore that other comparable municipalities are exploring and/or implementing. Building on this knowledge, the report then looks at how the tools available to the City of Guelph might be used to respond to the issues in light of the roles and responsibilities amongst various government agencies as identified in the Background Report. This report, including the municipal tools and draft directions, will be used to consult with community stakeholders to ensure the draft directions represent a comprehensive response to the issues, recognizing the tools available to the City of Guelph. The public's level of support for the potential draft directions will also be solicited.

The State of Housing Report identified the following problem statement that encompasses 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 issues emerged out of the data analysis and were supported by the community engagement work completed for the State of Housing Report:

Issue 1: There are not enough small units to rent or buy to meet the affordability needs of all smaller households.

Issue 2: A lack of available primary rental supply makes it difficult for people to find affordable rental housing.

Issue 3: The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

Small units are generally bachelor and one bedroom units that would be suitable for a one person household or couple (no children).

2 Approach

The Draft Directions Report presents 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. The tools are illustrated with examples from the City of Guelph and other municipalities within the Province of Ontario.

The City’s current practices were reviewed next to identify existing successes and areas that could benefit from further investigation. In addition strategies and tools of other municipalities were reviewed with a focus on comparator municipalities. Within the Province of Ontario, the City of Barrie serves as a good 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 inclusion 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 strategies 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 proposed draft direction was also assessed in terms of criteria related to its potential to address the identified issues and assigned to one of the following three categories:

1. High;
2. Medium; and
3. Low.

The assessment criteria are based on the degree of city control, impact on the three affordable housing issues and ease of implementation.

High potential items are directions where the City has control (focus on private market housing and land use planning), can be expected to show a significant impact in terms of outcomes on the issues and is relatively easy to implement (already in budget, workplan, etc.)

Medium potential items are directions where the City has control, impact on issues is anticipated and implementation is reasonable. The directions show promise since they have a level of support (e.g. included in City documents – Official Plan, previous housing study, Council Workshop on affordable housing).

Low potential items are directions where the City does not have direct control, impact on the issues in terms of outcomes is minimal or requires further review, and implementation is complex or requires further review since there is not much

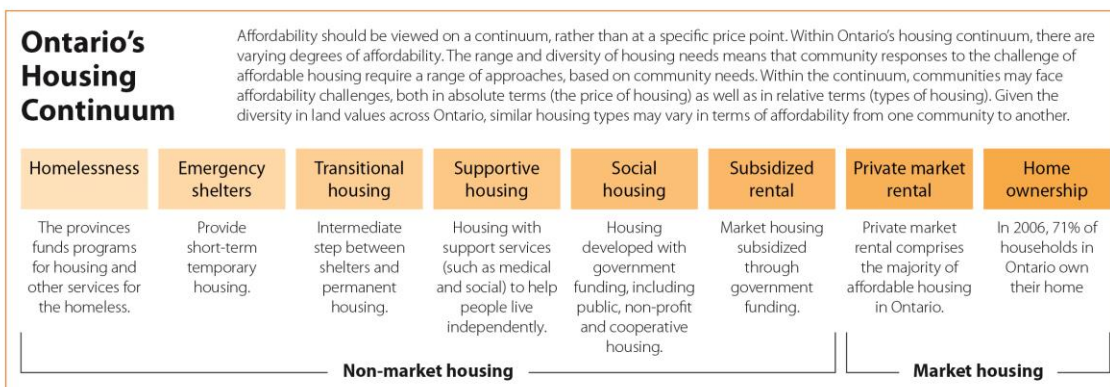
information available on success of outcomes. In addition directions may require enabling legislation and/or multiple partners.

3 Municipal Tools to Address Affordable Housing Issues

The City of Guelph is committed to promoting an appropriate range of housing types and densities, including affordable housing, to maintain and enhance a healthy and complete community. Affordable housing is viewed across a full continuum of housing which includes non-market housing (e.g. social housing) and market housing (i.e. private market rental and home ownership).

Figure 1 presents a housing continuum with homelessness at one end of the spectrum and home ownership at the other end.

Figure 1- The Affordable Housing Continuum



source: MMAH, Municipal tools for affordable housing, summer 2011

The scope of the City of Guelph's Affordable Housing Strategy is market housing and therefore the City's responsibility and tools are directed to 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, along with the need to coordinate our efforts with the County to ensure that complementary and value-added strategies are developed. It is important that all stakeholders work together to address the entire housing continuum, recognizing the roles, responsibilities and tools available to each stakeholder.

Many of the tools and directions presented in this report are non-financial in nature recognizing the funding already provided by the City to the County of Wellington as the Service Manager. In 2015 the City budgeted \$17,116,000 which is transferred to the County for non-market housing representing approximately 60% of the total budget for social housing and homelessness services provided by the County as Service Manager. The federal and provincial governments and the County of Wellington funded approximately 40% of the total budgeted cost of \$29,182,202.

The City has a range of tools and local experience to draw upon to help address the community's issues with respect to affordable housing. The tools presented in this

report, in part, are based on a guide produced by the Ministry of Municipal Affairs and Housing entitled “Municipal Tools for Affordable Housing”. The tools fall into the following five categories:

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

The following section of this report outlines the City’s current use of these tools along with a review of the work of other municipalities with consideration for what approaches might work for Guelph in addressing the City’s identified affordable housing issues.

3.1 Regulatory Responses

3.1.1 Municipal Act

The Municipal Act, 2001 governs the structure, responsibilities and powers of municipalities in Ontario and allows them to pass by-laws relating to a wide range of activities. Municipal Act approaches that could facilitate affordable housing include:

- control over the demolition and conversion of residential rental properties;
- provision of grants;
- establishment of a Municipal Service Corporation (MSC); and
- use of municipal capital facilities agreements.

In addition, under the Municipal Act, municipalities levy tax rates on property classes and can set a separate tax rate for new development. Having a lower tax rate on the property class for multi-residential properties and/or establishing a low “new multi-residential property class” can help stimulate the development of affordable housing.

The Municipal Act allows a municipality, subject to certain limits, to provide grants for purposes council considers to be in the interests of the community. Municipalities may also establish a Municipal Services Corporation (MSC) to deliver certain types of services in a manner that addresses related legal or practical issues, such as financing or bonusing. Municipal capital facilities agreements could be used to create relationships with other parties, including Municipal Service Corporations and not-for-profit organizations, to deliver municipal facilities (e.g. housing project facilities, recreation or parking facilities). However, the designation of a municipal housing project facility as a municipal capital facility may only be done by a municipality that is a service manager under the Housing Services Act, 2011, which the City is not.

City of Guelph

The Guelph Municipal Holding Incorporated (GMHI) operates as a municipal service corporation under the Municipal Act. The development corporation:

- 1) provides a corporate structure to transfer and incubate City-owned assets (both physical and knowledge based) to achieve the desired returns;
- 2) allows the City to pursue investors to stimulate the development of City-owned assets; and
- 3) creates synergies between City-owned assets under the governance of GMHI.

The types of assets that could be managed by GMHI include:

- *Underperforming assets* – Current lands or facilities owned by the City that have potential to generate a higher level of revenue.
- *Stranded assets* – Abandoned Brownfield properties that are owned by the City.
- *Leveraged Assets* – Greenfield and In-fill properties that are owned by the City.
- *Community Planned Assets* – Assets that will address the community's planned growth.

The community planned assets could include affordable housing facilities which would provide a mechanism for the City of Guelph to develop and/or operate affordable housing.

In 1998, the City established 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 tax class to help stimulate the development of multi-residential housing which 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, the largest percentage of known multi-residential unit sizes created were one bedroom units.

Other Municipalities

The City of London, which is the Service Manager for the City and surrounding municipalities, is in the process of establishing a municipal service corporation to develop and acquire new housing units. The corporation may also revitalize existing social housing and create new mixed-use and mixed-rent neighbourhoods. The City of Kingston is reviewing its municipal capital facility by-law to expand incentives and tools that can be offered in a targeted manner. The City of Barrie has eliminated the difference between multi-residential and residential property tax rates. In 2014 the rate was approximately 1.31%.

3.1.2 Planning Act

The Planning Act governs land use planning and development in Ontario and provides a range of tools for municipalities to use including but not limited to Official Plans, zoning by-laws, community improvement plans, and land division (e.g. subdivision plans). Land use planning approaches that could facilitate affordable housing include the use of:

- minimum and maximum development standards;
- reduction in parkland dedication or cash-in-lieu;
- reduction or exemption from parking requirements;
- demolition control areas;
- Community Improvement Plans;
- land division (subdivision);
- accessory apartments and garden suites;
- height and density bonusing;
- development permit systems; and
- waiving or reduction of application fees.

City of Guelph

Currently the City supports a full range of housing types through its Official Plan policies and Zoning By-law. The City's adopted Official Plan (OPA 48) is the main policy document for the City that guides the type, form and location of growth in the City. The policies support a range of housing types and densities throughout the City through land use designations and intensification policies.

The Official Plan policies that could facilitate affordable housing include:

- ownership and rental affordable housing targets;
- establishment of alternative development standards which could include reduced parking requirements;
- demolition control and condominium conversion policies;
- support and assistance to the Service Manager in identifying and addressing affordable housing needs;
- feasibility assessment of a 'land banking' program;
- advocacy work;
- support for accessory apartments and garden suites; and
- provision of affordable housing as a community benefit in exchange for height and density bonusing.

Legislative restrictions do not permit the City to actually zone lands for a specific tenure, leaving the City to rely more on structure type than tenure in its regulations.

Other Municipalities

A number of municipalities have included specific targets for housing by density, structure type, affordability level, and/or tenure in their Official Plan. The City of Kingston has adopted housing form, tenure and affordability targets for new stock to be added over a ten year period. The City of Hamilton includes density and housing type targets in secondary plans. In the City of Ottawa, affordable housing

targets are incorporated into Community Design Plans for 'Developing Community' designated areas.

Municipalities are leveraging accessory apartments as a means of creating rental units and assisting with affordable home ownership. The approaches vary by the method and level of regulation (e.g. zoning by-law, licensing and certification) and level of financial assistance provided, if any. For instance the City of Barrie does not apply development charges to accessory apartments and financial assistance for the creation of accessory apartments is provided by the County of Simcoe, which is the Service Manager, through Ontario Renovates. The City of Kingston has a municipal fee program and an affordable housing grant for secondary suites that provide a forgivable loan to cover municipal application fees and development costs provided the units are rented to income qualified households.

The City of Oshawa adopted a Community Improvement Plan (CIP) in 2010 that encourages the development of apartments and block townhouses in the areas surrounding their educational institutions. To date, the CIP has facilitated the creation of over 400 rental dwelling units adding to the range of housing. Property owners can apply for a grant which phases in tax increases related to reassessments due to property improvements. The City of Barrie, Halton Region and York Region also support the use of Community Improvement Plans for affordable housing.

The use of height and density bonusing seems to be most effective in areas experiencing high growth pressures. The cities of Barrie and Kingston are pursuing the use of height and/or density bonusing for affordable housing in new developments. York Region supports local municipalities in using height and density bonusing for new social housing units and is looking into developing guidelines for accepting social housing units through the bonusing provisions of Section 37 of the Planning Act.

Some other approaches the City of Barrie uses include requiring the provision of land (lots and blocks) to assist the development of or creation of affordable housing in new subdivisions and lowering parking requirements to encourage multi-residential rental development.

3.1.3 Development Charges Act

The Development Charges Act allows municipalities to impose development charges on new development. The charges are meant to pay for capital costs associated with meeting the increased service needs of growth. A municipality can include a charge to cover costs of planned affordable/social housing. A development charge by-law can: include area specific rates; phase in charges to stimulate development; and/or exempt or reduce charges for types of development, including building forms that may offer affordable housing options such as new multi-residential development, residential intensification and redevelopment options.

City of Guelph

The City of Guelph's current Development Charges By-law came into effect on March 2, 2014. The by-law applies to the entire City and does not exempt or reduce charges for affordable/social housing unless it is developed by a level of government and/or post-secondary institution. However the City has provided grants to offset development charges with the use of funds from its Affordable Housing Reserve that is funded from transfers from the tax base.

The City of Guelph chose not to incorporate affordable/social housing exemptions and/or charges into its 2014 Development Charges By-law, leaving affordable housing projects to find support through other corporate programs such as grants and early/late payment agreements. 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. Public submission requests to include affordable/social housing as a charge were declined since 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. In addition, the existence of a significant waiting list implies that new units would benefit the existing population and not new development.

The next review of the City's Development Charges By-law is scheduled to begin in 2017 and legislatively needs to be completed by March 2019.

Other Municipalities

The Cities of Barrie, Hamilton and Ottawa, and the Regions of Peel and York have development charges by-laws that provide exemptions based on specific criteria. Barrie has reduced rates for non-profit institutional uses and has a 25% discount of the development charges applicable to new residential development in the City Centre. In Hamilton exemptions are provided for residential intensification, redevelopment (e.g. conversion of single detached unit into a rooming house), affordable housing (e.g. in receipt of funding from senior government or CityHousingHamilton funding) and student residences (50% exemption if built by accredited post-secondary institution or accredited private secondary school).

Halton Region, which is the area's Service Manager, collects a portion of development charges to fund new capital social housing under their development charges by-law. Barrie, which has a municipal non-profit corporation, intends to include social housing in the update of their development charges by-law. The City of Ottawa collects a portion of development charges to fund the development of units that are defined as affordable housing. The affordable housing charge varies by building type with single and semi-detached development being the highest at \$211 per unit in 2015 compared with \$85 for a one bedroom apartment unit. Hamilton is looking at including a parkland dedication waiver for affordable housing projects in their new by-law.

3.2 Policies and Procedures

Policies and procedures include development approval policies and processes, complete application requirements, height and/or density bonusing procedures, and

the potential use of municipal lands. Guidelines and published research data can bring clarity and innovation to the process and result in improved submissions.

City of Guelph

In the City of Guelph, the process and application charges for accessory apartments have been very successful with a number of municipalities looking at Guelph's accessory apartment regulations as a best practice. The City has chosen to not license units, keeping the cost of operating a unit lower, leaving enforcement costs on the general tax base. The registration of units is fairly simple with a one-time registration fee. Accessory apartments are permitted throughout the City as-of-right and do not require a zoning by-law amendment which leads to expedited approvals where zoning regulations are met.

The Affordable Housing Strategy: State of Housing Report reported on affordable housing targets and indicators, and provided updated research on the secondary rental housing market. An average of 117 accessory apartments has been registered since 1995 creating a supply of 2,123 units as of December 31, 2013, easily meeting the annual target of 90 units. The units created tend to support the creation of affordable smaller units, given, that accessory apartments are limited through zoning regulations to two bedrooms. Results also showed that accessory apartments tended to be the most affordable type of rental units. However a survey of accessory apartments undertaken in the fall of 2014 reported that 25% of the accessory apartments were not being rented at the time.

The City's demolition and condominium conversion policies have also been successful in minimizing losses in rental housing stock. On average 12 residential units were demolished each year since 1993, including a total of 12 multi-residential units. Over the past 20 years, a total of 172 rental units have been converted to condominiums.

Under the City's OPA 48 policies, the City may request the submission of an Affordable Housing Report and/or Rental Conversion Report requiring the developer to demonstrate to the satisfaction of the City how the application addresses affordable housing needs including the provision of a range of affordable housing prices.

Other Municipalities

A number of municipalities, including Barrie, Kingston, London and Halton Region monitor affordable housing targets and indicators to measure the effectiveness of their policies and programs. In addition, a number of municipalities, which may also be Service Managers, have a policy in place to deal with the use of municipal lands for housing purposes. The use of height and/or density bonusing is also being identified by other municipalities as a means of securing affordable housing.

3.3 Financial Incentives

Financial incentives are one of the most direct means of reducing development costs. The challenge is to ensure that funding is appropriately directed towards identified issues so that value is realized. The use of financial incentives is also a

means to overcome limitations in other financial mechanisms. For example, development permit fee and/or development charges by-laws may not grant any exemptions to keep the by-laws relatively simple and neutral. A financial incentive could be used to rebalance the costs of new affordable housing by matching the cost of a building permit application.

City of Guelph

The City of Guelph established an Affordable Housing Reserve in 2002 to cost share affordable housing projects with Wellington County pursuant to the Federal-Provincial programs available at the time and to offer incentives to encourage affordable housing projects. The reserve provides a singular mechanism that is extremely flexible in what projects are funded, the use of the funding and the amount of funding. The reserve has been used across the housing continuum including non-market (emergency and transitional housing), private market rental and home ownership (Habitat for Humanity) to cover renovation costs, offset development application fees, and to cover development charges late payment agreements. Since its inception over \$1.2 million has been spent on the creation of 16 emergency units, nine transitional units, 84 rental units and 196 ownership housing units, each project having its own agreement and unique funding levels.

Other Municipalities

The City of Ottawa has a housing reserve fund. The City of Kingston has an Affordable Housing Capital Investment Program which offers funds in the form of a forgivable loan to be used towards the development of affordable housing units and can include land costs, legal fees, construction costs, etc. In addition the City of Kingston provides funding for accessory apartments in the form of a forgivable loan to help offset municipal application fees and/or to offset the costs associated with the development of an accessory apartment. A condition of funding is that the accessory apartment unit is provided at an affordable rental rate to an income qualified household for a set period of time. Hamilton is targeting downtown reinvestment by providing interest free loans for projects that are predominately residential including multi-residential development created through conversions, renovations and new builds on vacant land.

Most municipalities reviewed as part of this report are exploring financial incentives and advocating for additional funding from senior levels of government. For example the City of Hamilton is looking at expanding existing incentive programs and exploring potential new ones (e.g. capital grants, loans and tax deferrals).

3.4 Partnerships

Municipalities are using partnerships to better integrate responses and leverage tools and resources available to stakeholders (e.g. City, Service Manager, Non-profit agencies, developers and builders). The development of affordable housing is one key area where partnerships can be essential, especially in finding and financing suitable land and the expertise to develop it to address the community's affordable market housing needs.

City of Guelph

The City of Guelph generally takes a project based approach in dealing with housing issues which may include partnerships. Responses to issues are designed around individual project needs. For example, the shared rental housing work involved the creation of an internal working group including representatives from legal, planning, building, fire services and communications staff. In addition a Rental Housing Licensing Community Working Group was formed with representatives from key stakeholder groups to assist with the review of community feedback and assist in the development of a recommendation concerning a rental housing licensing program.

Internally staff from Planning, Urban Design and Building Services, and Cultural, Tourism and Community Investments meet regularly to coordinate responses to housing issues and initiatives. Externally city staff participates in Wellington and Guelph Housing Committee (WGHC) meetings and initiatives. The WGHC is a non-partisan community body providing a local focus for addressing housing and homelessness in Guelph and Wellington.

The City also meets with the County of Wellington, as the Service Manager, on specific initiatives to ensure awareness and coordinated approaches and responses where appropriate.

Other Municipalities

Partnerships are essential in developing and implementing integrated solutions. The Regions of Durham and York are looking to work with local partners and the private sector to consider innovative building techniques and financial arrangements to support the development of new affordable housing. Kingston is also looking at partnerships to leverage available resources to maximize the provision of affordable housing. A partnership approach is also being taken with their communications including building awareness of secondary suites, creating a coordinated communications plan with Frontenac County on main messaging for housing, and expanding on existing private-sector roundtable sessions and hosting topical workshops or forums.

Administratively various discussion groups have been created or recommended including a built-form task force in Barrie, a Housing and Homelessness Advisory Committee in Kingston, and a Human Services Planning Board (HSPB) in York Region, In Hamilton, the Hamilton Community Land Trust (HCLT) was established as a non-profit group which could decide to acquire and hold land in Hamilton for affordable housing.

Land costs are a key determinate of the cost of housing. Using surplus government lands for affordable housing, re-purposing under-utilized properties and maintaining an inventory of suitable affordable housing properties are approaches being used by Durham Region, City of Hamilton and City of Kingston respectively. A number of Service Managers, including Durham Region, City of Hamilton, Region of Halton, and the City of Kingston are exploring the potential to intensify and/or leverage social housing properties to increase the supply of affordable housing.

Communication strategies are approaches being embraced by a number of municipalities including the City of Kingston and the Region of York. Kingston is looking at using community forums and theme based workshops to expand the knowledge of housing development practices and sharing community ideas, programs and policy. Kingston is also exploring the use of a housing information e-centre on their website, establishing a virtual contact point for inquires and including community-based housing innovation awards. The Region of York partnered with their Human Services Planning Board to host a Housing Affordability Discussion Series. The HSPB has developed a collaborative advocacy plan called “Make Rental Happen: Creating the Conditions to Build Private Market Rental Housing” in 2013.

3.5 Advocacy

Advocacy works in concert with partnerships and communication strategies to push for enhanced regulatory, policy and financial tools from senior levels of government. The ongoing call for a National Housing Strategy, changes to income policies (e.g. living wage, increased social assistance rates), and new regulatory tools such as inclusionary zoning are all items a number of municipalities are requesting from senior levels of government. Municipalities, including the City of Guelph, have already accomplished a lot with the tools they have to address affordable housing needs. In order to create a bigger impact on affordable housing issues, new tools are needed that are reliant on actions by senior levels of government. Advocating for those new tools is a first step and if they do become available it could increase the impact of the existing work and/or the draft directions presented in this report.

City of Guelph

In the City of Guelph advocacy work generally revolves around responses to government and agency reviews and initiatives. For example a Council Workshop was held on June 17, 2015 to solicit input to respond to the review of the Province’s Long-Term Affordable Housing Strategy Update.

Other Municipalities

A number of other municipalities also respond to responses to government and agency reviews and initiatives, individually and as part of an organization such as the Association of Municipalities of Ontario (AMO), Ontario Professional Planners Institute (OPPI) and Regional Planning Commissioners of Ontario (RPCO). Submissions have been made regarding the need for a National Housing Strategy and inclusionary zoning.

4 Developing Potential Draft Directions

The potential draft directions are meant to address the three affordable housing issues identified for the City of Guelph: need for smaller housing units, lack of primary rental supply and security of the secondary rental market. The municipal tools and how other municipalities have used them were reviewed to identify potential draft directions for the City of Guelph. In addition, previous affordable housing report recommendations for the City of Guelph were reviewed to identify

outstanding directions that remain relevant to the City's current affordable housing issues.

Table 1: Summary of Affordable Housing Tools provides a summary of affordable housing tools and directions. The Table presents the potential draft directions by tool including a brief description of the direction and any linkages with other directions. The linkages identify interdependencies between directions since some directions are dependent on others suggesting an order of implementation while others are independent of other potential responses. The Table presents the status of direction (i.e. enabled (framework in place) and/or enacted (implemented)), issue it responds to (i.e. need for small units, lack of primary rental housing, security of secondary rental housing), other municipalities using or exploring the tool, assessment of potential (i.e. high, medium, low), source (e.g. Official Plan policy, housing report, other municipal practice review) and anticipated outcome along with the rationale for the assessment of potential.

The directions 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 request development applications to include affordable housing units, and corporate strategies dealing with increasing senior government investments and strategies.

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 (See Section 2 of this report for further details).

Over the years a number of affordable housing actions have been proposed. Many of these past 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), were discussed in the Housing Strategy Background Report. The actions proposed by these reports have been reviewed to identify any actions that are still relevant and that could help address the affordable housing issues identified in the State of Housing report, in light of the tools available to the City at this time.

On July 17, 2015 a Council Workshop was held which included an affordable housing perspectives exercise and discussion on the Provincial Long-Term Affordable Housing Strategy Update. Feedback received during this workshop has been reviewed to identify any potential actions that fall within the scope of the Affordable Housing Strategy.

Framing the Potential Draft Directions

The potential draft directions are meant to address the following problem statement:

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

According to data, the Guelph market has a sufficient supply of ownership housing but lacks smaller ownership units. The overall supply of rental housing, both small and large units, is insufficient and the security of the secondary rental market is of concern.

The data and community engagement work resulted in the following three affordable housing issues:

Issue 1: There are not enough small units to rent or buy to meet the affordability needs of all smaller households.

Issue 2: A lack of available primary rental supply makes it difficult for people to find affordable rental housing.

Issue 3: The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

Some highlights of potential draft directions are discussed below by issue. As shown in Table 1 the potential draft directions tend to respond to more than one issue.

4.1 Potential Draft Directions to Meet the Needs of Smaller Households

A promising regulatory direction to better meet the needs of smaller households begins with reviewing the City's regulations and by-laws, with an affordable housing lens to identify barriers to the creation of smaller units (Direction 1.5). This review should include a review of alternative development standards, as per OP policy 7.2.2.4. Reducing the amount of land required for affordable housing would likely lead to reduced development and operational costs.

A Community Improvement Plan response would allow for the creation of financial programs, including tax increment financing that could be targeted towards smaller unit creation (Direction 1.7). The City could also choose to direct the use of Affordable Housing Reserve funds to the provision of smaller units (Direction 3.1).

Height and density bonusing could target smaller affordable housing units as a community benefit (Direction 2.3). Increasing the utilization of municipal lands could also target the provision of smaller affordable housing units (Direction 2.4).

Partnership and advocacy directions that are promising include:

- Working with partners to develop innovative ideas and concepts including a demonstration project (Directions 4.2 and 4.3);
- Supporting the intensification of social housing properties (Direction 4.4); and
- Advocacy for new tools such as inclusionary zoning, increased funding and incentives such as tax breaks (Direction 5.1 and 5.2).

The City of Hamilton through the Hamilton Community Land Trust is looking at pocket housing as a case study. Pocket housing is an alternative to single room occupancy units (SRO). It looks like a regular detached house, however there may be four to eight individual units typically with each unit containing a kitchenette, washroom and living space with its own entrance and front door. Units are around 210 ft². In comparison, under the City of Guelph Zoning By-law, lodging houses are permitted in which a lodging unit does not have exclusive use of both a kitchen and a bathroom.

There may be potential for existing social housing properties to intensify and include smaller units. A number of municipalities that are Service Managers, including Durham Region and York Region, are looking at their existing social housing stock to intensify through the development of additional affordable housing units.

4.2 Potential Draft Directions to Increase the Supply of Primary Rental Housing

A promising regulatory direction involves revising the city-wide tenure split of the affordable housing target (Direction 1.3). The affordable housing target included in OPA 48 incorporated a tenure split of 27% ownership units and 3% rental units. Based on the results presented in the State of Housing Report, the City easily met the ownership target over the past five years but did not meet the rental target.

Given the limitations of regulatory responses in dealing directly with the tenure of housing, the best means of encouraging rental housing is through policies and procedures, direct financial incentives, partnerships and advocacy. The City could choose to direct financial assistance towards the provision of rental housing. As noted earlier, the City's Affordable Housing Reserve has been used primarily for ownership and non-market housing forms. Partnerships and advocacy work could also focus on rental housing (Direction 3.1). As noted earlier, the Region of York has a very extensive multi-prong "Make Rental Happen" program (Direction 4.2). However, this extensive outreach program is easier for a regional government to support, especially a regional municipality which is also the Service Manager.

4.3 Potential Draft Directions to Increase the Security of the Secondary Rental Market

The most direct means of increasing the security of the secondary rental market is to increase the supply with a regulatory response that would modify the zoning by-law to permit accessory apartments in townhouse units (Direction 1.6). However this modification may have limited success with existing townhouses given parking, building access and interior lighting needs. Townhouse end units and new construction hold the most promise in supporting accessory units. Within the City of Guelph the existing social housing stock, which includes some single detached units, holds some promise for supporting secondary rental units such as accessory apartments (Direction 4.4). This approach would require partnerships to be established with the County as the Service Manager and with housing providers. Townhouse units within social housing could also serve as a promising demonstration project for piloting new zoning regulations (Direction 4.3).

The City could also choose to prioritize direct financial assistance towards the provision of secondary rental market units (Direction 3.1). As noted previously, the City of Kingston has two financial program streams for accessory apartments which include a requirement to offer the units at an affordable rent for a set period of time to income qualified households.

4.4 Summary of Potential Draft Directions

The following is a consolidated summary of the 24 draft directions proposed in Table 1 by type of tool. The directions are sorted by an initial assessment of their potential (high, medium, low) by City staff based on the degree of city control, impact on the issues and ease of implementation. The initial assessment provides a starting point for discussions with community stakeholders on how to effectively address the City's three identified housing issues.

Regulatory High Potential

1. Incent new rental housing construction by maintaining a "New Multi-residential" property tax rate equalized to the rate for Residential properties.

Medium Potential

2. Develop/acquire and operating affordable housing using a Municipal Service Corporation, i.e. Guelph Municipal Holding Inc.
3. 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.
4. Develop an Implementation Plan to meet the Official Plan affordable housing targets.
5. Review regulations and by-laws to identify unnecessary barriers/disincentives to the creation of affordable housing, in particular smaller units (e.g. tiny houses, bachelor, one bedroom units) and primary rental housing units and make recommendations for changes to policy and regulations.
6. Increase the supply of accessory apartments by modifying the zoning by-law regulations to permit accessory apartments in townhouses.

7. Provide financial incentives for affordable housing through the development of a Community Improvement Plan (CIP) and/or modification of the Downtown Community Improvement Plan.
8. Explore Development Charge exemptions or reduced rates for affordable housing during the next update of the Development Charges By-law to be completed March 2019.
9. Explore the inclusion of affordable housing/social housing as a general service during the next update of the Development Charges By-law to be completed March 2019.

Low Potential

10. Explore having a requirement to identify and reserve lands for affordable housing as part of the development approval process.

Policy and Procedure

High Potential

1. Monitor affordable housing targets and indicators to measure the effectiveness of affordable housing directions and ensure policies and funding are appropriately directed.

Medium Potential

2. Develop guidelines for the submission of an Affordable Housing Report as part of a complete development application.
3. Develop height and density bonusing guidelines that would prioritize affordable housing as a community benefit, where appropriate, in exchange for additional height and/or density.
4. 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.
5. Explore the feasibility of developing a City land banking program to acquire and protect lands for affordable housing.
6. Monitor secondary rental housing to ensure policies and funding are appropriately directed.

Financial

High Potential

1. 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.

Low Potential

2. Explore social financing as a means of funding affordable housing units, especially smaller units (bachelor and one bedroom units) and primary rental housing.

Partnerships

Medium Potential

1. Work with the County as Service Manager on the development of the County's incentive toolkit and promote any affordable housing programs provided by all levels of government.

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

Advocacy

High Potential

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

Medium Potential

2. Develop a corporate advocacy strategy related to affordable housing.

5 Conclusion

This Draft Directions Report presents the potential draft directions derived from a review of municipal affordable housing tools, current City practices and the practices of other municipalities. The report presents a range of tools available to municipalities to assist with affordable housing needs, including regulatory, policy and procedure, financial, partnerships and advocacy responses. Using these tools the report identifies a number of potential draft directions to address the following three key issues identified in the State of Housing Report:

Issue 1: There are not enough small units to rent or buy to meet the affordability needs of all smaller households.

Issue 2: A lack of available primary rental supply makes it difficult for people to find affordable rental housing.

Issue 3: The secondary rental market provides choice of affordable dwelling types but the supply is not as secure as the primary rental market.

This report, including the municipal tools and draft directions, will be used to consult with community stakeholders to ensure the draft directions represent a comprehensive response to the issues, recognizing the tools available to the City of Guelph. The consultation will clearly communicate to the public the data, issues and tools available to address the issues. It will discuss how the tools could inform directions to be used to address the City's identified affordable housing issues. The public's level of support for the potential draft directions will also be solicited.

The next phase of the project will consolidate findings from the Background Report, State of Housing Report and Draft Directions Report into the Draft Affordable Housing Strategy.