

The Corporation of the City of Kawartha Lakes

Committee of the Whole Report

Report Number HH2019-008

Date: September 10, 2019

Time: 2:00 p.m.

Place: Council Chambers

Ward Community Identifier:

Title: Affordable Housing Targets

Author and Title: Hope Lee, Manager, Human Services

Recommendation(s):

That Report HH2018-008, Affordable Housing Targets, be received;

That the affordable ownership and rental targets (Ideal Model) and the processes to encourage them outlined in Report HH2018-008 be adopted;

That the policy entitled Affordable Housing Incentives, appended to Report HH2018-008, be adopted, numbered and inserted in the Corporate Policy Manual; and

That this recommendation be brought forward to Council for consideration at the next Regular Council Meeting.

Department Head:_____

Financial/Legal/HR/Other:_____

Chief Administrative Officer:_____

Background:

The Housing Services Act, 2011 requires each Service Manager (the City is the designated Service Manager for both the City of Kawartha Lakes and the County of Haliburton) to have a plan to address housing and homelessness. The first Housing and Homelessness Plan (HHP) was required in 2014 with a minimum period of 10 years. The Act requires a periodic review at least once every 5 years. Both the initial plan and any periodic review must be:

- done in consultation with the public
- done in consultation with the Minister by providing a copy and considering any comments the Minister provides; and
- be approved by the Service Manager.

Annual reporting on the plan to the public must occur each year by June 30. The plan must include an assessment of the current and future housing needs and objectives and targets relating to the housing need.

The City and County adopted the first plan in 2014 (2014-2023) and is in the final stages of its first periodic review which is due no later than December 31, 2019. In reviewing the plan now, it is being refreshed as a new plan for the next ten years, covering 2020-2029.

A project coordinating committee have been working on a refreshed plan since the fall of 2018 with an expectation to deliver that plan to the Minister and to councils in the fall. The committee has created a draft plan, completed multiple forms of public consultations and have published a comprehensive needs assessment.

One final consideration to complete the refreshed plan is setting the target for the number of additional affordable units that the City and County will strive to achieve over the next term of the plan (2020-2029).

A series of information reports and presentations have been provided to both City and County Councils over the course of 2019 in order to complete the revised plan. Two specific items provided information and context related to the targets; CKL-H Affordable Rental Housing Targets presentation in March and From Housing Assets, To Housing People; CKL-H Housing Master Plan presentation and report in June.

This report provides information and recommendations for setting targets.

Definition of Affordable Housing:

While other City and County plans or strategies may be overarching for residents in all income brackets, the HHP and the work of the Service Manager focuses on targets specifically for low to moderate income households across the entire housing continuum. The recommended targets apply to the categories that fall within the focus of the plan and which meet the adopted definition of affordable housing for the City and County.

Figure 1



The targets are striving to create housing, both rental and ownership, where the rent or the accommodation costs would not exceed 30% of the gross annual household income for low to moderate income households.

Low to moderate households are those households at or below the 60th income percentile. A percentile is a measure used in statistics indicating the value below which a given percentage of observations in a group of observations falls. For example, the 60th percentile means that 60% of the population with an income falls below this threshold. The 50th percentile is the median where 50% of the population is above and 50% is below.

Chart 2 displays the number of household in both the City and the County within the income percentiles¹.

¹ Statistics Canada. 2017. Kawartha Lakes, CDR [Census division], Ontario and Ontario [Province] (table). Census Profile. 2016 Census. Statistics Canada Catalogue no. 98-316-X2016001. Ottawa. Released November 29, 2017.
<https://www12.statcan.gc.ca/census-recensement/2016/dp-pd/prof/index.cfm?Lang=E> (accessed August 6, 2019).

Chart 2

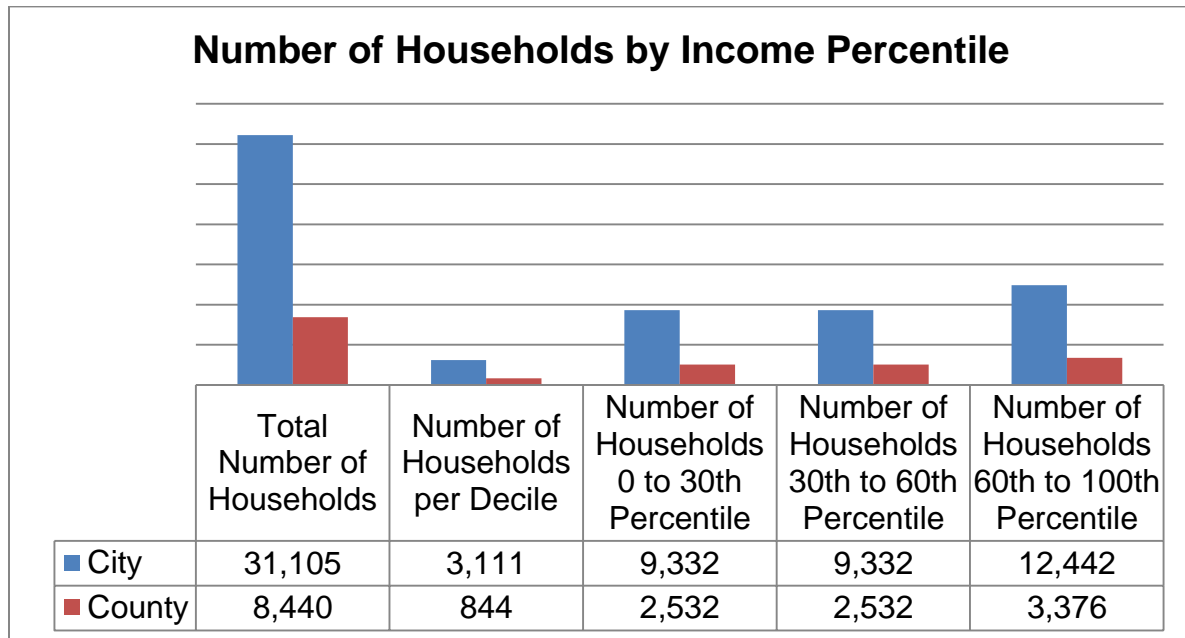


Table 1 below outlines permanent affordable rental and ownership data and needs based on City and County assessments.

Table 1

Low Income (Household with income at or below the 30 th percentile)	Moderate Income (Households with income between the 30 th and 60 th percentile)
Gross Annual Household Income of Renters (at or below) City: \$22,800 County: \$21,000 Monthly Rent that meets Affordable Definition (at or below) City: \$570 County: \$520	Gross Annual Household Income of Renters (between) City: \$22,800 - \$42,100 County: \$21,000 - \$36,600 Monthly Rent that meets Affordable Definition (between) City: \$570 - \$1,050 County: \$520 - \$920

<p>Gross Annual Household Income of Owners (at or below) City: \$46,500 County: \$39,400</p> <p>Housing Price that meets Affordable Definition (at or below) City: \$164,900 County: \$139,800</p>	<p>Gross Annual Household Income of Owners (between) City: \$46,500 - \$84,600 County: \$39,400 - \$73,200</p> <p>Housing Price that meets Affordable Definition (between) City: \$164,900 - \$299,900 County: \$139,800 - \$259,500</p>
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Rationale:

Factors in Establishing Targets

An important understanding as targets are being established is that each additional affordable unit is not always the result of new construction. An additional affordable unit can be created in a variety of ways including:

- Resale of existing ownership
- Subsidy to a tenant to use in an existing market rental (Rent Supplement, Housing Allowance or Portable Benefit)
- Rehabilitation of spaces not currently residential rental or inhabitable
- Creation of a secondary suite within an existing or new residential home
- Purpose built rental and ownership

Key considerations for meeting approved targets include:

- Continued, ongoing and sustainable funding and policy support from all three levels of government (federal, provincial and municipal)
- There is no expectation that any partner will be able to create affordable housing without some level of funding or policy support
- Participation of multiple partners:
 - Private developers
 - Community housing providers
 - Affordable housing providers
 - Community agencies
 - Residents
 - Municipal staff

- Continued and ongoing education and information for all potential partners in order to advertise, keep the messaging current, help partners understand how they can contribute and help the City and County understand what is standing in the way for partners

Ownership:

In both the City and the County the majority of new housing starts each year continue to focus on detached homes for the ownership market. There is also an ongoing resale market.

In the case of ownership, options need to be available to meet low and/or middle income needs:

1. Low Income
 - a. ownership housing for those with an average annual gross household income at or below the 30th percentile of income
 - b. accommodation costs do not exceed 30% of gross income
2. Middle Income
 - a. ownership housing for those with an average annual gross household income between the 30th and 60th percentile of income
 - b. accommodation costs do not exceed 30% of gross income

In order to encourage options where low and/or middle income needs are met in the City and County, these three approaches are recommended:

1. Resale market: There is little the City or County can do to establish and pursue an actual target within the resale market. Instead part of the continued analysis and reporting back will include annual tracking of the resale market in order to understand how many units were available to the low and middle income households. The Service Manager will continue to offer it Homeownership funding for this purpose as it has the ability to do so. This will allow some of the low and middle income earners who don't have the ability to secure a down payment, opportunity to move along the continuum from rental to ownership
2. New construction: The City and County will establish policies to ensure that there are some options available where low and/or middle income needs are met. This will be done through a community benefit program and/or the Official Plan.
3. Habitat for Humanity: The City and County will actively pursue ownership options with Habitat for Humanity and other similar not for profit

organizations to ensure they have the ability to be actively increasing the number of ownership opportunities.

Rental

The lack of purpose built rental has been and continues to be of concern in both the City and the County. The vacancy rate has remained low for several years as supply is not keeping up with demand. The continued focus of single detached homes making up the majority of the living spaces will only escalate an already critical rental housing situation.

As part of the HHP refresh, the City engaged OrgCode Consulting who are known nationally for their housing forecasting modelling. Modelling results can be used faithfully and effectively when the bigger picture is seen. The modelling is sensitive to two dozen current and historical variables which paints a picture of what is needed and by when.

The Org Code report generated three models for establishing targets:

1. Status Quo: Planning toward things not getting worse, considers small gains being made over the past few years have been important, but not enough. Targets are set that increase the numbers of units but is just keeping pace with overall growth. There is not a real proportionate increase in units for the population.
2. Moving Forward: Housing needs are not eliminated, but considerable gains are made in working to address them. The increase in units starts to lower proportionate gap in the need. It will take approximately 20 years to meet demand at this model's development rate.
3. Ideal: The overall need is explored in the context of identifying the volume of housing needs by dwelling unit size. The numbers of units increase significantly to meet the demand within 10 years.

The recommended model for the City and County to use in setting rental targets is the "Ideal" model. In the case of rental, the City and County need to work toward ensuring there are options for the low income, middle income and supportive housing needs.

1. Low Income – see Table 1 for income and affordability levels
2. Middle Income – see Table 1 for income and affordability levels
3. Supportive

- a. Average income and affordable rent generally within the low income category
- b. Additional support services provided (history of homelessness, barriers to housing, mental illness, substance use, frail elderly, physical disabilities, etc.)

The “Ideal” modelling forecasts the need over the 10 year period of the refreshed plan (2020-2029). The total additional numbers of units required under this model are illustrated below by bedroom size and by category.

Chart 3

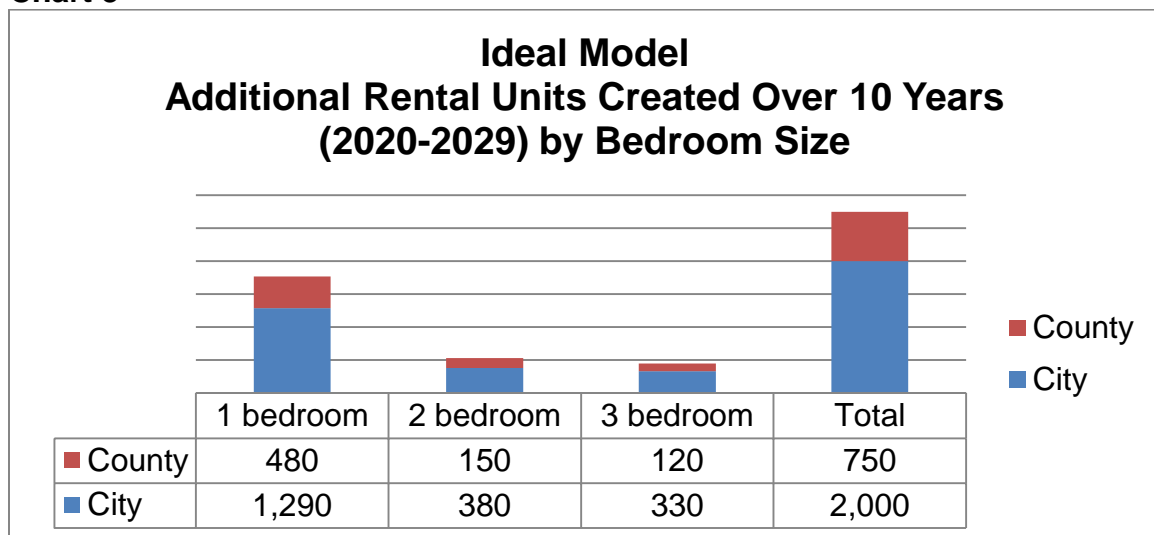
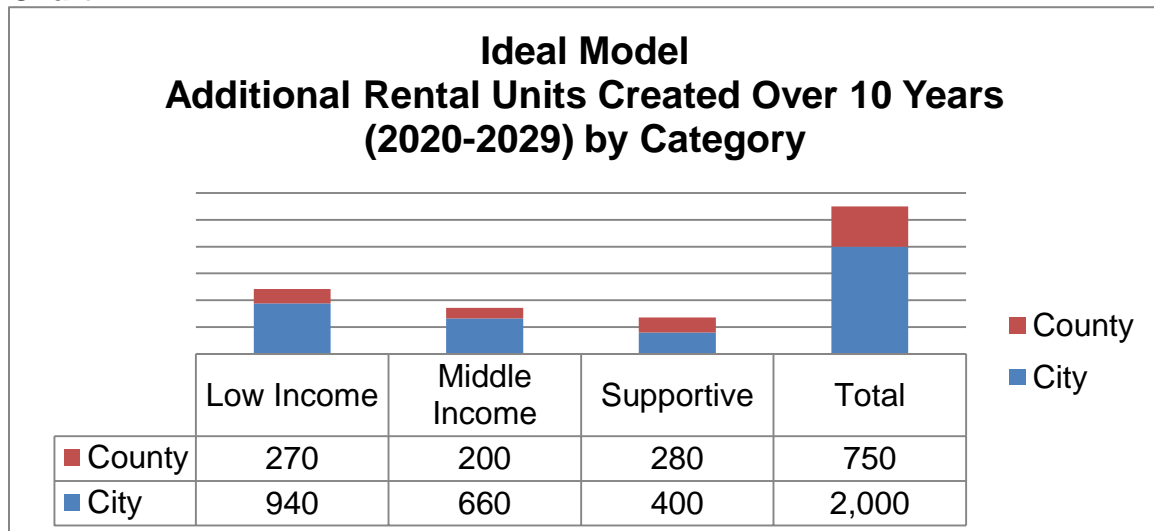


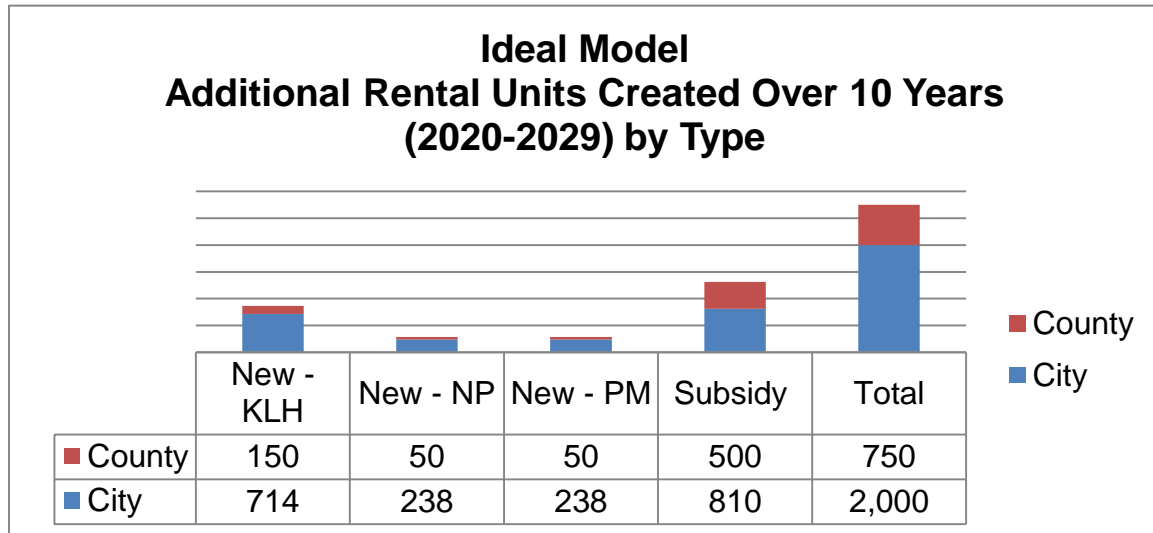
Chart 4



As mentioned previously, partnerships are key to creating these units. In order to plan and provide some direction in achieving the targets, some additional internal analysis resulted in further defining into types.

The following chart identifies how the rental units might be created and by who².

Chart 5



The expectation is that targets will be met through a combination of new construction and through subsidy in existing units. For those new units, it is further broken down by potential partners.

Table 2

	Ideal - New Construction			Ideal - Existing
	KLH Housing	Non Profit	Private Market	Subsidy
CKL	36%	12%	12%	41%
County	20%	7%	7%	67%

KLH Housing Corporation has been the key contributor in developing new affordable housing over the past several years. This model anticipates that KLH will continue and increase its contribution over the next 10 years. Of the percentage of units designated to occur through new construction, 56% of that contribution is recommended to occur through KLH (36% in the City and 20% in

² KLH: KLH Housing Corp NP: Non-Profit Provider PM: Private Market Subsidy: Rent Supplement/Housing Allowance/Portable Benefit

the County) will ensure that the majority of the new housing created will have affordability periods that match the life of the asset.

The balance of new construction units is anticipated to come equally through existing non-profit partners or the private market. The private market will include residents who create secondary units, developers of purpose built rental apartments or the creation of units through the rehabilitation of buildings.

The expectation of the private market participation is unknown and thus reflected in the smaller percentage. Private developers are and continue to be reluctant to develop affordable housing for a variety of reasons (little to no profit, current landlord and tenant law, etc). So while we have the policy direction in place to support and encourage them to do so, the uptake is the challenge. To date there is not overarching legislation that councils can rely on to require private developers to develop affordable housing.

The final type is the provision of some type of subsidy in an existing unit. This could be some combination of rent supplement or housing allowances, where the agreement is with the landlord and attached to a unit, or some type of portable benefit, where the tenant qualifies and takes to the benefit to a unit of their choice.

Achieving the Targets

Land

There has been some question as to whether the City and County have adequate land in settlement areas to support this increase in development. Only a portion of the targets are met by building new and therefore requiring available land (see Table 2). There is no expectation that the City or County need to have ownership of this land. The plan includes land owned by government and by others. It may require some or all of the following scenarios:

- Donation, lease or sale below market of federal, provincial or municipal lands to KLH or other community housing partners
- Use of current land already owned by KLH, other community housing partners, private developers
- Purchase or lease of privately owned land

The County in particular has approved affordable targets (Council and Provincial) within its Official Plan and Housing Strategy that exceed the targets presented in this report as new development. The current County Official Plan promotes equal

distribution between each local municipality based on population and needs as identified in the Housing Strategy.

Table 3

Municipality	Target Total Units	Target Affordable Units
Algonquin Highlands	140	35
Dysart et Al	719	179
Highlands East	280	70
Minden Hills	771	192
County Total	1,910	476

In order to further confirm land availability, a preliminary exercise was completed using MPAC property codes for both the City and County. The MPAC property codes were used to identify vacant parcels and then align those with the residential designations. The Official Plan direction that Council shall strive for 25% of all new development to be affordable to low and moderate income households was considered for this exercise.

For illustration purposes if we looked at Table 4 and Bobcaygeon for example, 25% of the 161 hectares of vacant residential land is 40 hectares. Even if all 40 hectares were developed as low-density (ie detached dwellings), using the Growth Management Strategy (2011) density target of 16.6 units/hectare results in 666 units.

Table 4: CKL Settlement Areas³

Settlement Area	Total Land (Sq Km)	Total Land (HA)	Vacant Residential Land (HA)	Affordability Factor: 25% of Vacant Residential (HA)	Density Factor: 16.6 units/ha
Bobcaygeon	7	700	161	40	666
Fenelon Falls	4	400	89	22	369
Lindsay	23	2,300	322	81	1,337

³ While the County table is able to identify land and servicing constraints, the City's detailed analysis is pending resolution of the appealed secondary plans.

Settlement Area	Total Land (Sq Km)	Total Land (HA)	Vacant Residential Land (HA)	Affordability Factor: 25% of Vacant Residential (HA)	Density Factor: 16.6 units/ha
Omemee	2.6	260	76	19	316
Woodville	2	200	12	3	50
TOTAL	38.6	3,860	660	165	2,738

Table 5: County Settlement Areas

Settlement Area	Total Settlement Area (ha)	Total potential area of vacant land	Total Area minus constraint and infrastructure	Number of potential lots	Potential Affordable Housing @25%
West Guilford	51	16.15	2.79	9	2
Eagle Lake	53	19.94	3.56	12	3
Irondale	66	47.29	5.09	17	4
Harcourt	48	56.46	10.72	36	9
Oxtongue Lake	371	210.28	33.75	84	21
Haliburton [MAH Mod 3c]	1,086	299.64	65.66	996	249
Wilberforce	187	11.65	19.06	32	8
Highland Grove	96	59.44	10.4	17	4
Cardiff	57	30.61	1.39	28	7
Tory Hill	47	19.82	2.76	5	1
Gooderham	89	33.2	5.8	10	2
Dorset	333	179.2	28.91	72	18
Carnarvon (AH)	42	46.31	6.26	16	4
Carnarvon (MH)	65	40.59	7.38	25	6
Minden	1,362	1,092.85	152.19	2,174	543
TOTAL	3,953	2,163.43	355.72	3,511	881

Planning Act changes on the horizon will give the potential for each new lot in the settlement areas developed with a single detached dwelling to also have a secondary suite and a dwelling in an accessory building. These provincial changes would then require updates to local planning documents.

While not all of the settlement areas have municipal services that does not preclude the development of new low, medium or high density residential development.

Process

In order to actively and aggressively work toward achieving the targets a clear and established process will include the following:

1. Efficient allocations of federal and provincial funding to maximize the number of units created
2. Knowledge of other funding opportunities and different funding models to support interested partners in creating viable business plans and applications for funding
3. Housing Services is added to the stakeholder list for pre-consultation processes and included early in any development discussions in order to encourage targets
4. Housing Services is added as a Land Management committee member in order to explore municipal lands for affordable housing purposes
5. The adoption of a policy which provides guidance and clarity to partners regarding municipal incentives, affordability periods and expectations; built from the council approved Affordable Housing Framework and the Municipal Housing Facilities Bylaw
6. The use of Community Improvement Plans wherever possible as a tool to achieve affordable targets
7. Annual information/education sessions each fall for programs that can assist to achieve targets including: new construction, multi-unit rehabilitation, secondary suites, rent supplements, etc
8. Expression of interest processes each winter following the information sessions to understand viable projects that could be funded in order to assist in meeting targets
9. Municipal budget process will annually consider the municipal incentive expenses for expression of interest submissions recommended by staff to proceed (within the overall budget priorities and requirements)
10. A debt allowance be established in order for KLH Housing to plan for new developments long term debt needs in meeting targets

Other Alternatives Considered:

The recommendation of this report is to adopt the “Ideal” model. The charts below provide information on the other two models that were created; Status Quo and Moving Forward.

Chart 6

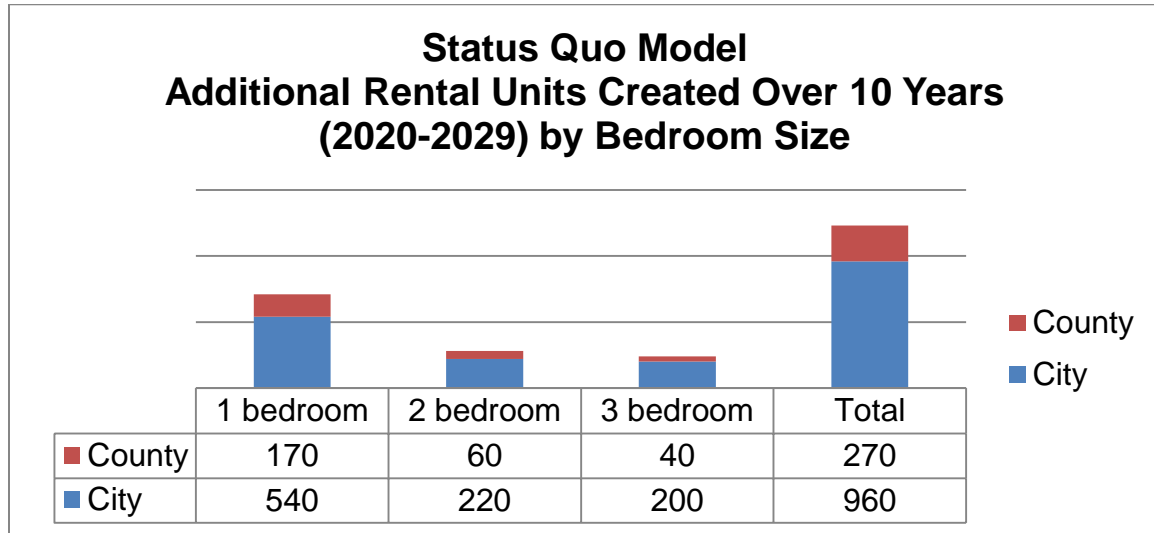


Chart 7

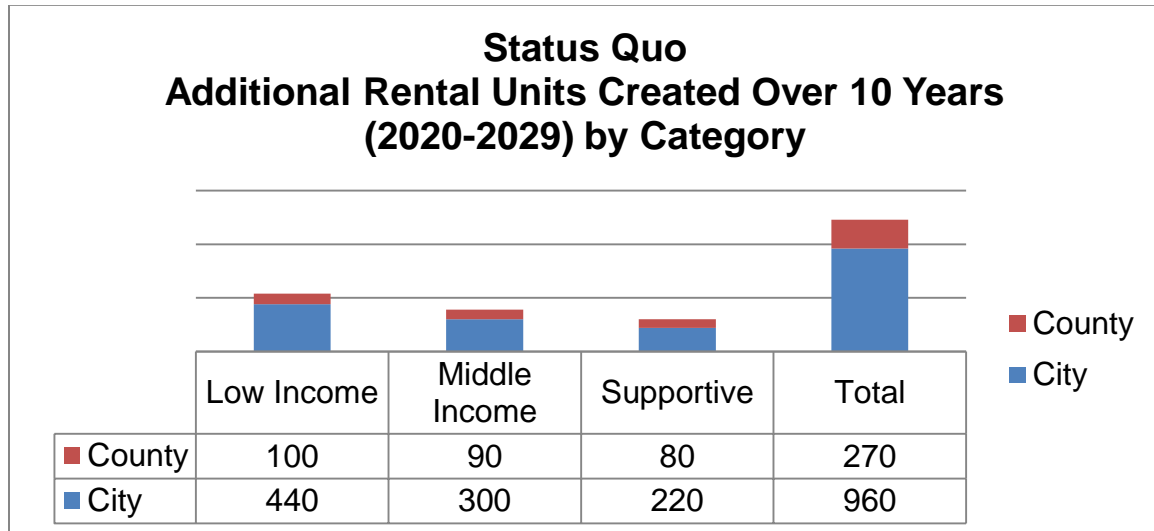


Chart 8

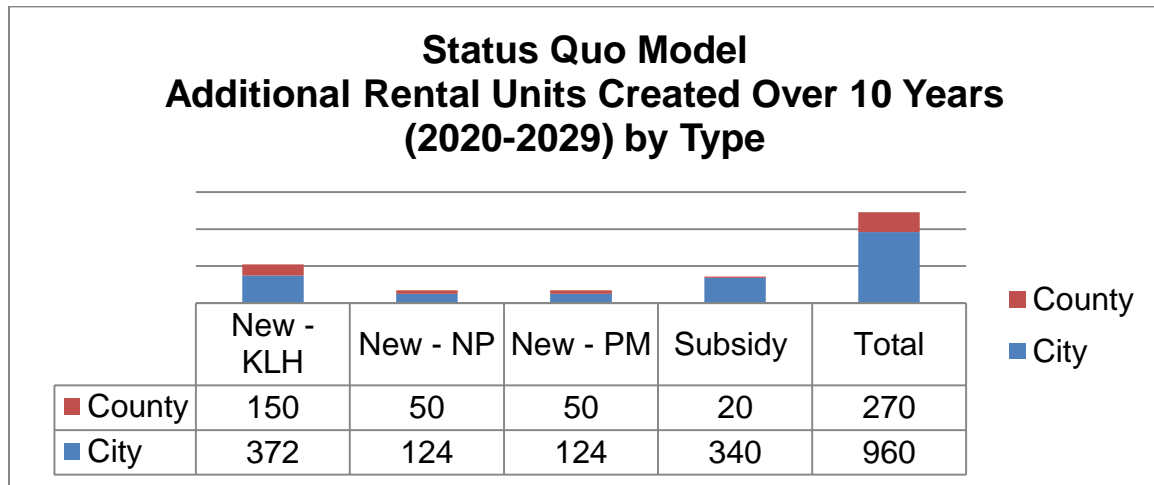


Chart 9

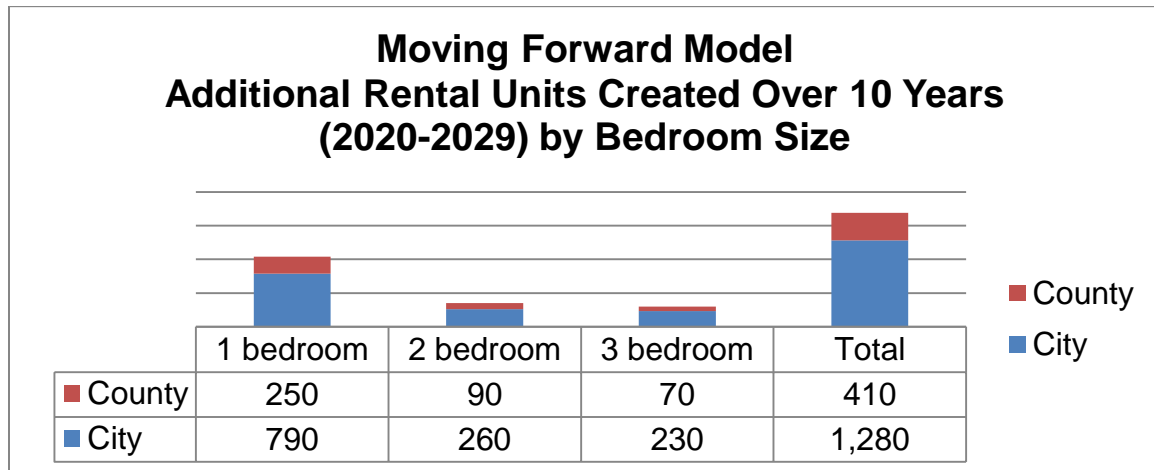


Chart 10

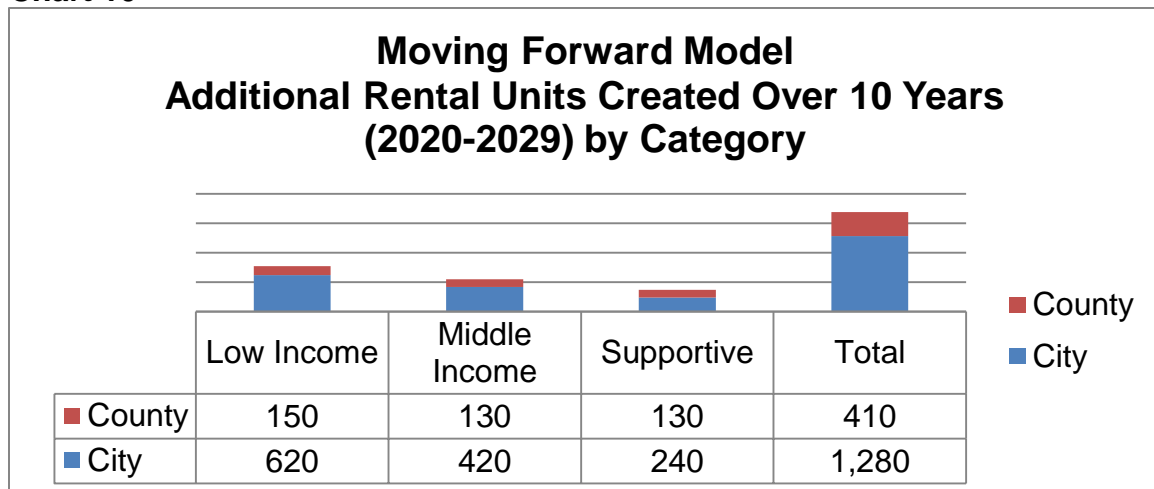
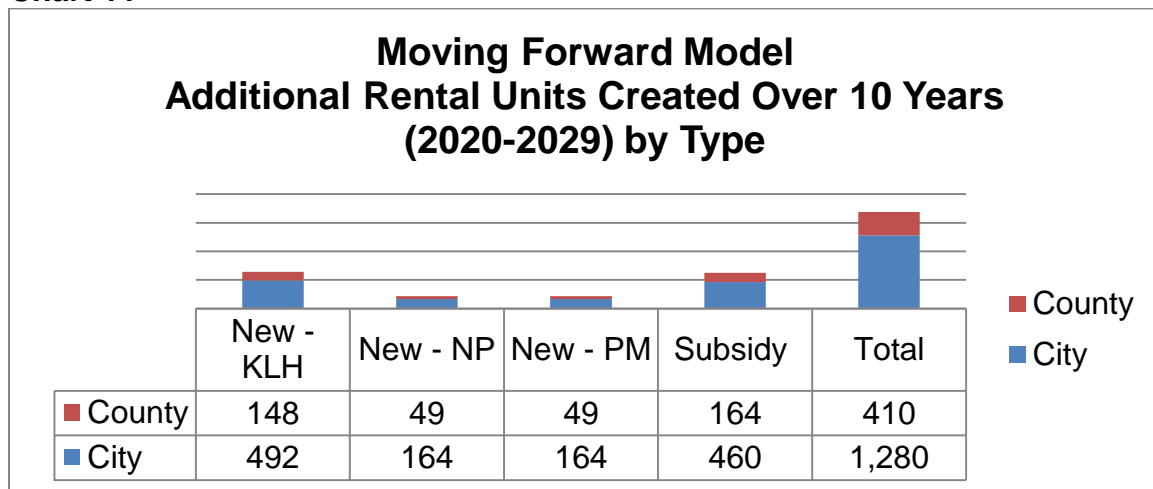


Chart 11



Financial/Operation Impacts:

It is too complex to calculate the actual municipal cost in order to achieve these targets at this point in time. There will be fluctuations in the numbers of units and types of units created annually. While subsidies could be introduced on a more regular basis year over year (depending on stock available), some development could be years in the making and potentially large enough to address a large percentage of the target independently. In order to achieve the low income targets and longer affordability periods, the greater the financial investment will need to be.

What is required is a commitment of all three levels of government to assist. Any partner in achieving the targets will need some level of assistance to provide rents affordable for the low and middle income.

Through the National Housing Strategy (NHS) access to various funding/financing is available. In addition the Province has committed to cost matching NHS funding where required providing Service Managers with funding allocations that can assist in meeting the recommended targets. Details of these programs and funding levels were presented to Councils in June.

New Construction, Rehabilitation and Secondary Suites

Providing municipal incentives to encourage new construction and rehabilitation will assist in variety of ways, all of which were detailed within the Affordable Housing Framework, adopted by councils and including such things as:

- The provision of land (donation, lease or below market value)
- Reduced or deferred property tax
- Exemptions from securities (for site plan as an example)
- Building permit fees, development charges, municipal service connection fees or charges, entrance permit fees, application fees and charges, parkland levy, etc

It is recommended that a council policy that identifies any such incentive the City or County could provide be adopted. Along with the list, levels would also be included to assist the proponent in understanding what the City or County would expect in return. For example incentives that equaled \$15,000 per unit might require the rent to be at 80% of average market rent for a period of 10 years.

The policy will assist the proponent to identify:

- which items apply to their development that are part of the list
- which incentives apply to their development situation (some incentives may not be available to a private developer or landlord, such as debt servicing)
- how does the value of the incentives impact the development (rent levels, affordability period)
- does it result in a viable financial plan that includes units which will help the City and County in meeting target

Within the expression of interest process, the value of municipal incentives would be established, such as:

- the cost of any fees or charges
- the value of capital grants
- the value of relief from security
- the estimated value of any reduced or deferred property tax
- the market value of any land being donated
- the estimated amount of debt servicing being requested

City or County budgets would incorporate the values of these requests. Once the budget and the project were approved the full value of the municipal incentives would be itemized within the municipal housing facilities agreement and the total amount registered on title. This agreement and the overarching bylaw is the authority to provide any such incentive (land, property tax, fees, charges, cash grants, etc) and outlines the obligations of each party, including

the affordability period. If breached the proponent is required to repay some or all of the value of these.

Instead of waivers or exemptions for fees and charges, transfers could take place between Housing Services (Service Manager) and other municipal departments for the value of any fees and charges on behalf of the proponent. For example connection fees, application fees, development charges. This process eliminates the need to change multiple municipal bylaws or policies to allow exemptions, keeps the same standard processes in place (in some cases only some of the units will be affordable) and allows for clean recording for all involved. It would require councils to approve a budget amount equivalent to the approved fees and charges for each project within the Human Services Department.

The policy and expression of interest criteria create a system where the higher the value of the municipal incentives, the lower the rent and the longer the affordability period. Where the City also provides an allocation of its federal/provincial funding to the project, rents and affordability periods may be further dictated at those two levels of government. The only exception to using the City's centralized community housing or homelessness list would be for those creating a second unit within their own home.

A draft of the policy is attached as Appendix A to this report. It is recommended that along with approving the targets, the policy is also adopted. The policy will allow staff to develop management directives, standard operating procedures, information and education materials, the expression of interest process, etc in order to implement that process later this year.

Supportive Targets

In addition to creating the unit, the supportive targets require some level of support service funding to ensure the tenancy is successful. This ranges from intensive case management for the homeless population to a few hours a week in personal support assistance for a senior beginning to age in place.

Objectives of the plan will go one step further than this report to identify specific population support needs. From there securing those investments either directly or with community agency partners will be required. There is no expectation at this point that any new municipal dollars can or should be identified for the support services as these costs should be addressed through provincial funds.

Subsidy in Existing Units

There are two ways to provide subsidy in existing units:

- a rent supplement attached to the unit itself; or
- a portable benefit attached to the tenant

Achieving the targets through rent supplement can follow a process where there is:

- information/education sessions with landlords/owners
- expressions of interest process
- annual budget request based on the expression of interests

Unlike the municipal incentives which are for the most part one time (with the exception of property tax), a rent supplement commitment requires stable annual ongoing funding. While there may be a small portion of new funding for this purpose, the substantial contribution will be municipal.

The portable benefit is successful especially with certain populations, like the homeless. Annually, during budget processes, Housing Services will recommend the increase in the number of portable benefits that should be added. In addition there is an expectation that the national housing benefit will be implemented in Ontario beginning in 2020. This is part of the National Housing Strategy.

Relationship of Recommendation(s) To The 2016-2019 Strategic Plan:

Setting targets and creating more affordable housing is contributing directly to Action 2.2.3.

Consultations:

Treasurer, City of Kawartha Lakes
Policy Planning Supervisor, City of Kawartha Lakes
Data Analysis Coordinator, City of Kawartha Lakes
Manager of Planning, County of Haliburton
Org Code Consulting Inc

Attachments:

Appendix A - Affordable Housing Incentives Policy



Draft CP2019-XXX
Affordable Housing Ir

Department Head E-Mail: rsutherland@kawathalakes.ca

Department Head: Rod Sutherland