City of Kawartha Lakes and County of Haliburton

Affordable Housing Framework

Technical Appendix

Prepared by:

SHS CONSULTING
POLICY • RESEARCH • COMMUNITY DEVELOPMENT

CONTENTS

Appendix A: Evaluation Criteria

A total of 29 municipal tools were evaluated based on criteria and guidelines that were developed to determine each tool's applicability to the Kawartha Lakes-Haliburton context. The following are the evaluation criteria and guidelines used to evaluate the municipal tools.

Suitability for Community Type

- Urban – serviced land; e.g. Lindsay, Minden
- Rural – about 20 km to services
- Remote – areas around lakes and farms

Impact on Affordability

- Results in an increase in affordable housing units, i.e. number of units
- Provides good value for public investment

Cost of Implementation

- Low – low administration cost, e.g. staff resources
- Medium – below $10,000; e.g. building charges
- High – grants; equal to or above the land value of each unit; more than $10,000; e.g. development charges or providing land

Ease of Implementation

- Low – resources are already in place and is applicable for the entire municipality; e.g. staff resources who are already doing something similar
- Medium – requires changes in processes and/or additional training for staff
- High – requires changes in legislation and a change in processes and is applicable only to certain areas of a municipality; e.g. required OPAs or bylaw changes

Represents Good Planning

- Supports the creation of healthy, active and complete communities; e.g. having affordable housing in a subdivision or having a mix of dwelling types and tenures
- Supports other municipal objectives, such as addressing the needs of priority households
- Includes environmentally sustainable and energy efficient design and supports sustainable community development.

Need for Legislative Changes

- Requires changes in municipal legislation, such as Official Plan amendments or zoning bylaw changes
- Requires changes to current provincial legislation or provincial regulations
- Provincial legislation may be in place but regulations may still be outstanding

Sustainability of Program

- Financially sustainable
- Is not reliant on a provincial or federal program or does not require funding from senior levels of government.

Meets Other Municipal Objectives

- In addition to increasing the supply of affordable housing, the tool meets other municipal objectives, such as economic growth.

Appendix B: Results of Working Sessions

The first set of working sessions with City Staff in Lindsay and County and Local Municipal Staff in Minden and Haliburton resulted in eliminating a number of municipal tools that the participants felt were not appropriate for the current context or that would be onerous and/or costly to implement. The following were the municipal tools that participants felt should be further investigated or that were already being implemented and, thus, should remain under consideration.

City of Kawartha Lakes Session

Municipal Regulatory and Process Tools

1. Pre-Zoning Lands
2. Fast-Tracking Development Approval Process
3. Public Education and Community Outreach Programs
4. Alternative Development Standards
5. Inclusionary Zoning
6. Large Sites Policy
7. Removing Barriers and Incenting Creation of New Second Units
8. Permitting Garden Suites and Laneway Housing

Enabling Legislation for Municipal Incentives

9. Community Improvement Plans

Land-Based Incentives

10. Providing Land through
    a. Land Leases/ Ground Leases
    b. Donating City-Owned Land
    c. Providing Land at Below Market Value

Financial Incentives

11. Municipal Planning and Building Fees
12. Development Charges
13. Parkland Dedication/ Cash-in-Lieu
14. Capital Loans and Grants
15. Property Tax Equalization or Exemption for New Rental Construction
16. Tax Increment Equivalent Grants
17. Tax Increment Financing
18. Housing Reserve Fund

Of the municipal tools identified here, the following will require changes to municipal (M) and/or provincial legislation (P).

- Pre-Zoning Lands (M)
- Alternative Development Standards (M)
- Inclusionary Zoning (M and P)

- Large Sites Policy (M and P)
- Tax Increment Equivalent Grants (M)
- Tax Increment Financing (M)

County of Haliburton Sessions

Municipal Regulatory and Process Tools

1. Pre-Zoning Lands
2. Fast-Tracking Development Approval Process
3. Development Permit System (only for Haliburton session)
4. Public Education and Community Outreach Programs
5. Alternative Development Standards
6. Density Bonusing
7. Inclusionary Zoning
8. Large Sites Policy
9. Removing Barriers and Incenting Creation of New Second Units
10. Permitting Garden Suites and Laneway Housing
11. Demolition and Conversion Control

Enabling Legislation for Municipal Incentives

12. Community Improvement Plans

Land-Based Incentives

13. Housing First Policies for Surplus Public Land
14. Providing Land through
    a. Land Leases/ Ground Leases
    b. Donating Municipally-Owned Land
    c. Providing Land at Below Market Value
15. Land Banking
16. Mixed-Use Community Facilities

Financial Incentives

17. Municipal Planning and Building Fees
18. Development Charges (only for Haliburton session)
19. Parkland Dedication/ Cash-in-Lieu
20. Capital Loans and Grants
21. Property Tax Equalization or Exemption for New Rental Construction
22. Tax Increment Equivalent Grants
23. Tax Increment Financing
24. Housing Trust Funds
25. Housing Reserve Fund/ Ongoing Budget Allocation

Of the municipal tools identified here, the following will require changes to County (M), Local Municipal (LM), and/or provincial legislation (P).

- Pre-Zoning Lands (M)
- Alternative Development Standards (M)
- Density Bonusing (LM)
- Inclusionary Zoning (LM and P)
- Large Sites Policy (LM, M, and P)
- Removing Barriers and Incenting Creation of New Second Units (LM)

- Permitting Garden Suites and Laneway Housing (LM)
- Housing First Policies for Surplus Public Land (M)
- Land Banking (M)
- Municipal Planning and Building Fees (M)
- Tax Increment Equivalent Grants (M)
- Tax Increment Financing (M)
- Housing Trust Funds (M and P)

These tools were further evaluated in a second set of working sessions with key housing stakeholders from the private and non-profit sectors as well as County and local municipal Councillors.

Appendix C: Pro Forma Analysis of Incentives

A pro forma analysis was conducted to examine the impact of the financial incentives being considered for the Affordable Housing Framework. This analysis involved looking at three hypothetical affordable rental projects in Lindsay, Minden, and Haliburton to assess the impact of the different fees and charges in the City of Kawartha Lakes and County of Haliburton. While these are hypothetical projects, they are based on actual rental projects that have been built or are being built in these locations.

The following chart shows a summary of the capital costs associated with each hypothetical project.

	SCENARIO 1		**SCENARIO 2**		**SCENARIO 3**	
	Lindsay Apartment		Minden Apartment		Village of Haliburton Apartment	
	Wood Frame 25,000 SF 29 1 bedroom (45%) 2 bedroom (10%) 3 Bedroom (45%)		Wood Frame 19,340 SF 21 1 bedroom (45%) 2 bedroom (40%) 3 Bedroom (15%)		Wood Frame 17,126 SF 24 1 bedroom (100%)	
CAPITAL COSTS - SOFT COSTS	**$1,188,473**	18%	**$510,025**	11%	**$524,496**	12%
CAPITAL COSTS - HARD COSTS	**$5,073,956**		**$3,815,157**		**$3,492,378**	
NET HST	$294,989	4%	$221,330	5%	$204,786	5%
TOTAL CAPITAL COSTS	**$6,557,419**	100%	**$ 4,546,512**	100%	**$4,221,660**	100%
Per Unit	$226,118		$216,513		$175,903	

The following chart shows a summary of the operating revenue and expenses for each scenario.

	SCENARIO 1		SCENARIO 2		SCENARIO 3	
	Lindsay		Minden		Village of Haliburton	
	Apartment		Apartment		Apartment	
	Wood Frame		Wood Frame		Wood Frame	
	25,000 SF		19,340 SF		17,126 SF	
	29		21		24	
	1 bedroom (45%)		1 bedroom (45%)		1 bedroom (100%)	
	2 bedroom (10%)		2 bedroom (40%)			
OPERATING - REVENUE						
Rental Revenue (less vacancy loss + parking revenue)	$356,207		$270,176		$273,028	
OPERATING - EXPENSES						
Sub-Total	**$184,024**	$6,346	**$124,857**	$5,946	**$93,496**	$3,896
Mortgage Payments	$143,430		$121,908		$149,393	
Total Expenses	**$327,454**		**$246,765**		**$242,888**	
Required Equity for DCR 1.2	$4,503,733	$155,301	$2,811,289	$133,336	$2,081,139	$86,714
Percentage of Total Capital Cost	69%		62%		49%	

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The following chart shows the impact of the incentives for each scenario and the proportion of the total capital cost that each incentive represents. The chart also shows the required grant for each unit to reduce the equity contribution to 10%.

	SCENARIO 1 Lindsay Apartment		**SCENARIO 2** Minden Apartment		**SCENARIO 3** Village of Haliburton Apartment	
IMPACT OF INCENTIVES	**Reduction in Equity Per Unit**	**% of Total Capital Costs**	**Reduction in Equity Per Unit**	**% of Total Capital Costs**	**Reduction in Equity Per Unit**	**% of Total Capital Costs**
Land Donated	$441,477	6.7%	$211,707	4.7%	$244,712	5.8%
Development Charges	$464,961	7.1%	-		-	
Parkland Dedication	$26,384	0.4%	-		-	
Municipal Planning and Building Permit Fees	$37,769	0.6%	$21,150	0.5%	$22,436	0.5%
Alternative Development Standards (i.e. reduced parking)	$143,481	2.2%	$105,967	2.3%	$74,938	1.8%
Streamlining / Fast Tracking Approval Process	$16,005	0.2%	$2,536	0.1%	$4,730	0.1%
Property Tax Exemption (Operations)	$504,659	7.9%	$149,523	3.3%	$144,565	3.4%
	$1,634,737	**25.2%**	**$490,883**	**10.8%**	**$491,380**	**11.6%**
Grant Per Unit	$56,370.23		$23,375		$20,474	
Capital Grants (to reduce equity contribution to 10%)	$2,212,346		$1,844,356		$1,297,248	
Additional Grant Per Unit	$76,287.79		$87,826		$54,052	
Total Grant Per Unit	**$132,658**		**$111,202**		**$74,526**	

The last chart shows the impact of the incentives on the monthly rents for each scenario.

	SCENARIO 1 Lindsay		SCENARIO 2 Minden		SCENARIO 3 Village of Haliburton	
	Rent Per Unit	**% AMR**	**Rent Per Unit**	**% AMR**	**Rent Per Unit**	**% AMR**
Average Rents with 25% Equity	**$1,768**	**170%**	**$1,649**	**155%**	**$1,254**	**132%**
Land Donated Development Charges Parkland Dedication Municipal Planning and Building Permit Fees Alternative Development Standards (i.e. reduced parking) Streamlining / Fast Tracking Approval Process Property Tax Exemption (Operations)	**$1,341**	**130%**	**$1,469**	**138%**	**$1,092**	**115%**

Appendix D: Description of Municipal Tools

Municipal Regulatory and Process Tools

Reducing Length of Approvals

1. Pre-Zoning Lands

Municipalities have the ability to create a more supportive regulatory environment for affordable housing through their official plans and zoning by-laws. Land use regulations are unable to address certain fundamental issues associated with housing being unaffordable, namely income levels relative to housing prices. There are however, often significant spatial and land use characteristics associated with housing affordability that can be promoted through regulatory measures. Pre-designating and pre-zoning lands to permit a greater range of housing types, higher densities, more compact or infill development on underutilized sites, reduced unit sizes etc. can promote more affordable units under acceptable conditions e.g. in large master planned areas or near higher order transit. The development industry have identified pre-zoning as a desirable feature because it provides greater certainty for development.

Advantages	Disadvantages
▪ Eliminates significant risk and reduces time and costs for developers ▪ May be more favourable from a financing perspective ▪ Community opposition is addressed comprehensively at the outset rather than on a case-by-case basis ▪ Reduces OMB appeals ▪ Can be combined with other tools e.g. social housing levy to recoup a portion of land lift	▪ Requires considerable resources and study upfront ▪ May not be possible to tailor an appropriate zoning by-law to suit a larger mature context ▪ May limit a municipality's ability to require developer to pay all costs associated with development ▪ As-of-right zoning may result in unforeseen impacts ▪ Removes ability to seek Section 37 community amenity contributions

Legislative Requirements

Planning Act (s. 16, 22 and 34, 35.1)

Case Studies

District of Squamish, BC

In 2005 the District of Squamish adopted a 10 point Affordable Housing Strategy to address affordability issues in its community. In order to ensure an appropriate land supply for affordable housing the strategy recommends that lands be pre-designated/pre-zoned to allow multi-family and manufactured homes.

City of Kitchener, ON

The City of Kitchener has created PARTS (Planning Around Rapid Transit Stations) which sets proactive land-use designations, including pre-zoning areas around the LRT corridor, and enhances infrastructure. The City has also exempted development charges for new development within the pre-zoned corridor as an incentive to support transit and meet the urban growth centre targets in the Growth Plan.

City of Mississauga - Second Unit Zoning By-law

In 2013, City Council approved a zoning by-law (0158-2013) which permits a second dwelling unit in the following housing forms: a detached, semi-detached, or linked dwelling, a street townhouse or a townhouse on a private road in a common element condominium subject to certain zone standards. By pre-zoning to allow second units there are lower costs and increased incentives for the homeowner or investor to create them. To date more than 140 second units have been created.

City of Mississauga - Infill of Existing Apartment Sites

Mississauga Official Plan permits consideration of additional residential development through a rezoning on existing apartment sites designated “high density” within Neighbourhoods provided that : 1) new development is restricted to uses permitted in a residential medium density designation and 2) provided the proposal meets certain requirements (e.g. site plan, landscaping property standards, building code,

Additional Information

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

Ryerson University Building Institute (2016). Suburbs on Track: Building Transit-Friendly Neighbourhoods in the Toronto Region. Accessed from: http://www.ryerson.ca/content/dam/citybuilding/pdfs/2016/REPORT-Suburbs%20on%20Track-September%207,%202016.pdf

2. **Fast-Tracking Development Approval Process**

Reducing the length of time involved in approving a residential development has been a component of affordable housing strategies in many areas. The premise here is that lengthy development approval processes contribute to the high cost of developing housing. The main benefit associated with fast-tracking is the reduction of costs associated with holding undeveloped land. Fast-tracking affordable housing developments can be done by moving affordable housing projects to the highest priority in the application review process and/or assigning a staff resource to help navigate the review and approval process.

Advantages	**Disadvantages**
▪ The expediting or fast-tracking of affordable housing developments means construction can start sooner and financing costs will be lower ▪ For all residential developments, faster approvals mean that the costs of developing housing are decreased, and that if savings are passed on to consumers, this will result in housing that is more affordable ▪ A more efficient approval process makes for a more efficient use of developer and municipal staff time and resources ▪ Shorter approval times can reduce development risk	▪ The implementation of a more efficient and/or automated system requires more client and staff training, and sometimes involves high upfront implementation costs for the municipality ▪ Monitoring is required to ensure that a reduction in approval times is not the result of a decrease in the quality of planning and design decisions

Legislative Requirements

Planning Act (s.70.2)

Case Studies

Saskatoon, Saskatchewan

Saskatoon adopted a Priority Review Process to support the creation of new affordable housing. Non-profit affordable housing providers often struggle to meet their extensive list of funding deadlines to ensure that a housing development can be financially feasible and sustainable. Funding for a project can be revoked if building permits and other permits take too long. Without a great deal of experience in development and permit application, it is difficult for non-profit groups to act with haste during the development process, potentially slowing down the approval process. The City of Saskatoon assists affordable housing developers in reducing their time spent waiting for permits and approvals from the City by moving their projects to the highest priority in the application review process.

City of Toronto

Toronto's Gold Star program helps expedite eligible industrial, commercial office and institutional planning and building projects in the City. Each project that receives this service is assigned an Economic Development Officer as part of the City Planning or Toronto Building case-managed team. The team provides customized one-on-one assistance to help businesses navigate the review and approval process. Staff work with the applicant, other City divisions and agencies involved in the development review to identify approval requirements, resolve issues and ensure that planning and building approvals are expedited. In late 2015, as part of the Affordable Housing Open Door Program, staff recommended extending the Gold Star program for non-profit and private-sector developers of affordable rental and ownership housing.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/releap/index.cfm

Metro Vancouver Regional Housing (2012). What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities.

City of Toronto (2016). Gold Star service to guide and expedite development. Accessed from: http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=8df89c14cf84c310VgnVCM10000071d60f89RCRD&vgnextchannel=b03032d0b6d1e310VgnVCM10000071d60f89RCRD

3. Development Permit System

A community-building tool that integrates zoning, site plan, and minor variance approvals into one application and approval process. This tool can help significantly improve the review and approval timelines, can provide more certainty and cost savings through early community participation, upfront development rules and, once the system is in place, eliminating third party appeals to the OMB on specific development permit applications that meet the requirements and community vision set out in the OP and development permit by-law; provides for a more flexible approval process whereby municipalities can incorporate a specified range of variation for development standards.

The savings achieved by housing developers is in reduced wait times during the approval process, which could help eliminate long wait times before beginning construction and reduce risk of holding undeveloped land for prolonged periods of time. Affordable housing developers are especially affected by long wait times as financing and funding opportunities are often based on the speed at which applications can be received and approved.

Advantages	Disadvantages
▪ The expediting or fast-tracking of affordable housing developments means construction can start sooner and financing costs will be lower ▪ For all residential developments, faster approvals mean that the costs of developing housing are decreased, and that if savings are passed on to consumers, this will result in housing that is more affordable ▪ A more efficient approval process makes for a more efficient use of developer and municipal staff time and resources ▪ Shorter approval times can reduce development risk	▪ The implementation of a more efficient and/or automated system requires more client and staff training, and sometimes involves high upfront implementation costs for the municipality ▪ Monitoring is required to ensure that a reduction in approval times is not the result of a decrease in the quality of planning and design decisions ▪ May be complicated to implement, particularly for larger urban municipalities

Legislative Requirements

Planning Act (s.70.2)

Case Studies

Province of Ontario

Various municipalities in Ontario have adopted the Development Permit System. The Development Permit System (DPS) is a provincial policy aimed at generating benefits to Ontario communities by creating a more streamlined and flexible planning approval process, enhancing environmental protection, building strong communities and encouraging community involvement in the planning process. The DPS achieves this by encouraging municipalities to combine several of their development applications into one approval process and to further specify their requirements for approval. The ultimate impact from the municipality's perspective is to facilitate developments that support and reflect the vision established for a planning area. The DPS also reduces application fees and processing time for developers. This tool has been implemented in the Town of Carleton Place and Township of Lake of Bays.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/releap/index.cfm

Metro Vancouver Regional Housing (2012). What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities.

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

4. Public Education and Community Outreach Programs

Education and awareness programs indirectly speed up the approval process by creating community support and tolerance for affordable housing and also by dispelling myths and misunderstandings about such housing and its occupants. This can be accomplished in at least two ways: adopting a strategy to deal with NIMBY and creating public education packages.

Advantages	Disadvantages
▪ Raising awareness of the benefits of affordable housing for the community leads to community acceptance of a development and may avoid challenges to the development, including applications to the OMB	▪ Would require staff time and additional resources to develop education packages and sessions

Legislative Requirements

Planning Act (s.70.2)

Case Studies

Bruce County

The Bruce County YIMBY (Yes In My Backyard) Team is a group of people from different sectors and communities who are working to raise awareness on the need for affordable and supportive housing.

City of Mississauga

The City's experience with public education and community acceptance initiatives during the development of the second unit policy facilitated a smoother process and helped make implementation more successful in terms of legalizing existing second units.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/releap/index.cfm

Metro Vancouver Regional Housing (2012). What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities.

Modifying Development Standards

5. Alternative Development Standards

This policy would involve either adopting alternative standards (the use of flexible planning and engineering standards) or modifying standards for particular uses (the modification of specific standards for affordable housing and housing geared to special needs).

Development standards are the rules that municipalities use to guide the planning, design and construction of residential communities. Planning and engineering standards relate to lot sizes and frontages, street pavement and right-of-way widths, parking and the location of sewer, water and utility lines. Development standards ultimately affect the cost and environmental impact of new developments, as well as the quality of life enjoyed by a community's residents. Changes to planning and engineering standards can reduce the costs of residential development (e.g. reduced frontage).

Alternative development standards are intended to replace traditional standards with more flexible and innovative regulations. For example, right-of-way and road pavement widths can be reduced without compromising safety, resulting in land cost savings; lots can be smaller or configured differently to increase densities; and utility trenches can be combined. Municipalities can reduce capital and maintenance costs for itself and developers, while facilitating pedestrian-friendly and transit-supportive areas, through agreements that reduce requirements or exempt owners or occupants of a building from providing and maintaining parking facilities, particularly where public transit is available.

Advantages	Disadvantages
▪ Increased housing affordability, achieved by reducing the costs of servicing lots, lowers housing prices for consumers when savings are passed on	▪ Risk aversion: conventional engineering standards reflect built-in safety factors and are only likely to be relaxed when there is clear evidence that doing so can provide public benefits without undue risk

▪ More intense use of land ensures lower per-dwelling land costs and reduced municipal infrastructure costs ▪ A reduced environmental footprint through more compact development, which can reduce greenhouse gas emissions ▪ Greater variety in housing types encourages more inclusive and affordable neighbourhoods ▪ This helps overcome supply constraints due to minimum size standards and lets the market supply reach lower-income households	▪ A lack of understanding and support: modifying development standards can involve or affect many different participants including elected officials, planners, engineers, construction managers, environmental professionals, etc.; not all groups will have the same level of understanding and offer the same support for the new programs and policies ▪ Conflicting financial perspectives: the bottom line is important to both developers and municipalities; however, these key stakeholders account for their investment costs and benefits differently, making it difficult to identify agreed-upon financial impact costs ▪ Complex and costly municipal approval process: where new development standards are first proposed in a development application, the involved parties must negotiate the application of the standards as well as the sharing of costs and responsibilities ▪ A piecemeal application: the aggregation of several alternative standards in one development may yield a different result than the simple sum of its parts

Legislative Requirements

Planning Act (s.40)

Case Studies

Dieppe, New Brunswick

The City of Dieppe, New Brunswick, in partnership with the Province of New Brunswick and a private builder, implemented the sustainable community design (SCD) concept, which protects environmentally sensitive areas and provides affordable housing in the subdivision. While this concept was one of the City's responses to decreasing greenhouse gases, it also brought positive effects on the provision of affordable housing by helping to reduce the costs of developing new dwelling units, as less land was required for each individual lot, which in turn provided the right density to locate this subdivision as one of the transit stops for the area.

Orillia, Ontario

To help promote affordable housing development, the City of Orillia exempts non-profit affordable housing development or redevelopment from parkland dedication requirements.

Toronto, Ontario

The City of Toronto's parking requirements for "alternative housing" (a dwelling unit owned and operated by or on behalf of the City of Toronto or by a non-profit or private agency in cooperation with the City of Toronto) has been reduced to 0.1 spaces per unit (or 1 space per 10 units).

Performance based planning has been used in the United States, Australia, New Zealand and Scandinavia.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/modest/modest_002.cfm

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

SHS Consulting (2009). Region of Peel Official Plan Review Background Report: Tools and Practices to Address Housing Issues.

Creating Opportunities for Provision of Affordable Housing

6. Density Bonusing

The policy authorizes municipalities to grant increases in height and density of development in exchange for the provision of "facilities, services, or matters" (which could be aimed at the provision of affordable housing).

Density bonusing encourages developers of new commercial and residential projects to provide for affordable housing and various public amenities within new developments in exchange for increased developable floor space. Density bonusing is usually associated with downtown or similar developed areas, where additional revenue-generated space can be offered and where increased building size will not impose on surrounding environment and infrastructure.

Advantages	Disadvantages
▪ Research has shown that negotiated bonusing has been very successful in providing affordable housing	▪ The initiative is generally only associated with downtown and other intensively developed areas where additional revenue-generating space can be offered ▪ Must also consider if additional density represents good planning and if the additional density can be supported by existing infrastructure

Legislative Requirements

Planning Act (s.37)

Case Studies

Toronto, Ontario

The City of Toronto has used density increases, starting in 2000 when it implemented a framework which provides a "facilities-first" approach whereby units can be provided as affordable housing or the developer has the option of providing cash-in-lieu of affordable housing. More recently, the City of Toronto has developed its own set of guidelines for the implementation of density bonusing, as well as a protocol for negotiating the community benefits.

The City of Toronto has also used section 37 of the Planning Act to achieve affordable housing. The City's official plan authorizes the use of section 37, subject to certain provisions, including a requirement that the community benefits obtained must bear a reasonable planning relationship to the increase in the height and/or density of a proposed development. Affordable housing is specifically identified in the City's official plan as a potential community benefit that may be achieved through section 37, and, subject to other relevant policies, as the first priority community benefit when height and/or density increases are sought in relation to large residential developments.

New York, New York

In 1987, the City of New York established an inclusionary housing program that provides a density increase of up to 20 percent for new market-rate housing projects in exchange for the provision of new or rehabilitated lower-income housing. The program was expanded in 2005 to certain areas being rezoned as part of the Marketplace Plan (also called Designated Areas Program). As part of the expansion of this program a density bonus of up to 33% above the base floor area ratio was offered and in exchange, developers had to set aside 20% of a building's residential floor area to house low-income families. The program was further expanded to include affordable ownership in 2009. As of 2013, about 2,760 affordable units have been created.

Additional Information

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

Metro Vancouver Regional Housing (2012). What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities.

Office of Policy Development and Research, U.S. Department of Housing and Urban Development (2013). Evidence Matters: Inclusionary Zoning and Mixed-Income Communities. Accessed from: https://www.huduser.gov/portal/periodicals/em/spring13/highlight3.html

7. Inclusionary Zoning

Inclusionary zoning typically requires or encourages private developers to construct some proportion of new residential development for affordable housing. Fees-in-lieu, land and other contributions of an equivalent value are also sometimes accepted by local municipalities. The initial price or rent of the affordable units is set by terms of the program and first occupancy is limited to income-eligible households. Restrictions are also placed on subsequent occupants and on rent increases and resale prices but these vary by municipality.

Policies can either be mandatory or incentive-based. When mandatory, developers are required to contribute affordable housing as a condition of development approval with density bonuses and other concessions that may be provided to offset the costs incurred by the developer. In incentive-based programs, builders are encouraged to contribute voluntarily to affordable housing in exchange for density bonuses and other offsetting incentives such as fast-tracking of approvals and reduced development standards. Research does show that incentive-based programs produce significantly less affordable housing than mandatory ones. The inclusionary zoning initiative depends on a buoyant housing market to create new affordable housing units.

The Provincial government passed the Promoting Affordable Housing Act, 2016 (in December 2016) which gives municipalities the option to implement inclusionary zoning to increase the supply of affordable housing.

Advantages	Disadvantages
▪ Inclusionary housing policies have enabled the development of affordable housing units in markets where such housing would not normally have been developed (primarily in high-growth areas) ▪ Helps to overcome local opposition to affordable housing (NIMBY)	▪ Resistance from the for-profit development industry ▪ Local ratepayers may object to higher densities in return for affordable housing because of perceived impacts on neighborhoods ▪ Inclusionary policies require administrative support from senior and local governments, including identifying affordable housing prices

▪ Helps to offset high housing costs to lower income consumers during periods of rapid growth in market housing ▪ Helps to promote diverse communities where households of a wide range of incomes can live ▪ Would help to secure land and/or units for affordable housing in large scale redevelopment areas e.g. Lakeview	and rents, monitoring development, and enforcing policies ▪ Little evidence that this policy has helped significantly in overcoming affordability problems of low-income households

Legislative Requirements

Provincial Policy Statement and Planning Act (s.34 and 37)

Case Studies

Palo Alto, California
Palo Alto is a wealthy and built-out community in the heart of Silicon Valley. For many years, this area has added jobs at a faster rate than homes. To redress the imbalance, the municipality implemented an inclusionary zoning program, the *Below-Market-Rate Program and Housing Impact Fees*, which required residential projects to provide 10 percent of the units as below-market rent. Since 1979, the program has created 177 affordable units and has received payments of $1 million in fees-in-lieu.

State of New Jersey
The Fair Housing Act of 1985 requires growing municipalities in New Jersey to provide for affordable housing. Most municipalities use an inclusionary housing policy to achieve this goal. Inclusionary housing policies require private market rate developers to include a percentage (usually 20%) of all units in new residential developments as affordable housing for low- and moderate-income households. Seventy percent of all new housing constructed for low- and moderate-income households in New Jersey is created by using these policies. The Fair Housing Act has added 53,500 affordable housing

units, with 23,100 of these either already built or under construction, 14,600 units with zoning in place, 6,300 regional contribution agreement units, and 9,500 units that have been rehabilitated.

France

The Solidarity and Urban Renewal Law (SRU) establishes that every municipality with more than 3,500 inhabitants has to have at least 20% of social housing stock. Each municipality can decide how to achieve this. In Paris, the urban plan requires that each new private development has to reserve 25% of the new construction area for social housing. Since 2002, those municipalities that did not meet the 20% minimum requirement were subject to a tax payment to be used to support social housing construction.

United Kingdom

Section 106 of the 1990 Town and Country Planning Act is a tool that can be used by the municipality through the Local Planning Authority to negotiate with private developers a minimum percentage of social housing and/or new equipment according to the community needs as part of the process of gaining planning permission. The issue with this legislation is that it is not binding and depends on the negotiation between the local authority and the private developer.

City of Vancouver

In 2011, Vancouver adopted the Cambie Corridor Plan which requires inclusion of affordable housing, including affordable rental housing, in target rental areas, on large sites and elsewhere.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/usinhopo/index.cfm

Ontario Ministry of Municipal Affairs – Inclusionary Zoning: http://www.mah.gov.on.ca/Page13790.aspx

Morales, L. and Garcia-Almirall, P. (2015). The Housing Policy Structure of Paris, London and Barcelona: A Comparative Research.

Metro Vancouver Regional Housing (2012). What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities.

8. **Large Sites Policy**

The large sites policy is an inclusionary housing program where a proportion of residential developments on large sites are required to be affordable housing. Implementing a large site policy may have significant benefits for developments on larger sites, including brownfield sites while the cost to the municipality would be low and mostly related to administrative resources. It would be most effective if combined with some type of incentive.

Advantages	Disadvantages
▪ Enables the development of affordable housing units in markets where such housing would not normally have been developed (primarily in high-growth areas) ▪ Helps to promote diverse communities where households of a wide range of incomes can live	▪ Resistance from developers ▪ Local ratepayers may object to higher densities in return for affordable housing because of perceived impacts on neighborhoods ▪ Evidence for the effectiveness of this policy is limited

Legislative Requirements

At present there is no legislative authority to require a portion of development to include affordable units through zoning provisions (s 34 of the Planning Act). Section 37 of the Planning Act allows municipalities to pass a bylaw authorizing increases in height and density in exchange for the provision of community benefits which includes affordable housing. The Province is currently in the process of developing legislation to specifically permit inclusionary zoning.

Case Studies

City of Toronto

Toronto's Official Plan includes a policy for sites larger than five hectares. It states that for these developments, a minimum of 30% of the new units will be in forms other than single detached and semi-detached, such as row housing, triplexes, and multi-residential buildings. The policy also states that if a height or density increase is sought, the community benefit that will be prioritized will be affordable housing and that at least 20% of the additional residential units will be provided as affordable housing. These affordable units can be built either near the development or elsewhere in the City, provided through the conveyance of land, or through a cash-in-lieu payment for the construction of affordable housing. The policy has not been used nor have any implementing regulations or guidelines been prepared to augment the basic requirements found in the Official Plan.

City of Vancouver

In 2011, Vancouver adopted the Cambie Corridor Plan which requires inclusion of affordable housing, including affordable rental housing, in target rental areas, on large sites and elsewhere.

City of Montreal

Montreal has an inclusionary housing strategy for developments of 200 or more units. The strategy requires that at least 30% of the new units be provided as affordable housing with 15% provided as social housing and 15% as affordable rental or affordable ownership housing. This strategy is framed as a guideline rather than a requirement as its implementation is dependent on the boroughs and could vary in response to local conditions.

Additional Information

Metro Vancouver Regional Housing (2012). What Works: Affordable Housing Initiatives in Metro Vancouver Municipalities.

SHS Consulting (2009). Region of Peel Official Plan Review Background Report: Tools and Practices to Address Housing Issues.

Wellesley Institute (2010). Montreal: Inclusionary Housing Strategy. Accessed from: http://www.wellesleyinstitute.com/wp-content/uploads/2010/03/CaseStudyMontreal.pdf

9. **Remove Barriers and Incent Creation of New Second Units**

Second units are one of the most cost-effective ways to increase the supply of affordable rental housing and integrate affordable housing throughout the community while maintaining neighbourhood character. Some municipalities have opted to provide grants or loans to encourage the development of second units as affordable rental housing. In most cases, rents for units receiving a grant or loan are required to meet affordable levels for a certain time period.

Advantages	Disadvantages
▪ Second units can provide a solution to the demand for affordable rental housing such as youth, older adults and new immigrants and assists households facing financial challenges to stay in a community such as homebuyers with limited equity or on fixed incomes ▪ Second units provide affordable rental housing in a neighbourhood setting without major government assistance, as they do not generally put much of a demand on local governments except for inspections and education ▪ In many areas, very little rental housing is being built and secondary suites are a cost-effective way of addressing rental housing needs, while also achieving housing densification in both urban and rural areas ▪ Second units can make better use of existing infrastructure where demographic shifts in neighbourhoods may have resulted in capacity ▪ Homeowners can reduce their monthly carrying costs by an average of 22.5% with a second unit	▪ Secondary suites are often provided illegally, even in areas where they have been legalized, because it is expensive to bring units up to current standards (e.g. fire and building code compliance) ▪ There can be strong opposition to legalizing secondary suites from local residents ▪ Secondary suites may add increased pressure on crowded streets where parking is limited ▪ Many homeowners are reluctant to go through the complex procedures associated with creating a secondary suite, including getting proper approvals ▪ There is a concern with regard to illegal second units that do not meet health and safety standards ▪ There is limited information on existing illegal units ▪ The impact of second units on the character of a neighbourhood is a common community concern

Legislative Requirements

Planning Act (s.16, 17 and 34)

Case Studies

Edmonton, Alberta
The City of Edmonton encourages the creation of secondary suites by relaxing bylaw restrictions and providing grants to homeowners who add rental suites to their homes. The City's main reason for introducing a secondary suites program was the lack of affordable rental housing in 2005. The City introduced its Cornerstones plan, which includes funding for the Secondary Suite program, in 2006. This Secondary Suites program was designed to increase safe, affordable housing options for lower income households and resulted in the creation or upgrading of 553 secondary suites. Renewed funding of $3 million in 2013 is helping to upgrade and create an additional 450 secondary suites by the end of 2016. As of 2014, secondary suites grants operating agreements changes from a ten-year term to a five-year term.

City of Calgary
The City of Calgary introduced a Secondary Suites grant program which provided a maximum one time grant up to $25,000 to registered owners for up to 70% of eligible costs (development, permit fees and construction costs). A total funding of $6M achieved 240 new second units which must be available for rent for 5 years. Family members are considered legitimate tenants. The owner is required to report annually on rents.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/pesesu/index.cfm

10. **Permit Garden Suites and Laneway Housing**

Garden suites (also known as "granny flats") are an affordable housing type because they do not require the purchase of land and they are relatively inexpensive to install if they are constructed from pre-fabricated materials. They are detached self-contained residential structures on existing residential properties that contain sanitary and kitchen facilities and bedroom/sleeping areas. These are designed to be portable and are accessory to the existing residential structure.

Laneway (or carriage) housing refers to a small, detached form of infill housing built on a single family lot and typically located in a rear yard and oriented towards the lane. Laneway houses might be permitted in residential areas and can be built in addition to a secondary suite in the main house. The dwelling would be for rental or family occupancy only.

Additional revenue for homeowner (to cover housing costs) and an increase in the housing supply without the cost of new land for affordable housing.

The Strong Communities through Affordable Housing Act, 2011 amended the Planning Act to allow municipalities to pass temporary use by-laws authorizing garden suites as a temporary use for up to 20 years. Municipalities can also extend the temporary authorization for garden suites by further three-year increments.

Advantages	Disadvantages
▪ A relatively inexpensive housing option for households in need of affordable housing ▪ The unit is connected to the services of the main dwelling and does not require the purchase of land ▪ Garden suites can act as a mortgage helper to the homeowners if rental income is received ▪ Common in rural communities where the property fabric can support additional dwelling. In these	▪ The approval process can be lengthy, especially if a site-specific bylaw is required ▪ Neighbours may raise concerns about the increase in density ▪ It can be difficult to install the garden suite in denser residential areas ▪ The policy may only help relatively well-off seniors whose children have houses or who own

areas larger lot sizes are more common facilitating the establishment of garden suites ▪ The policy is suitable for cities with large proportions of single-family houses on large lots	a property themselves and can share the lot with their children ▪ This solution may not help the people in most need of help

Legislative Requirements

Planning Act (s.39)

Case Studies

Moncton, New Brunswick
The goal of permitting the development of garden suites in Moncton is to allow homeowners to use extra space on their lot for income that can be put toward their mortgage payments. Also, the suites can provide affordable rental housing to their relatives or to low-income renter households. They can be located in the rear yard or on top of a garage. Creating a garden suite in the City of Moncton involves applying for a “change of use” as well as a building permit and paying the associated fees. There are no additional fees for licensing or registration. The suites help Moncton achieve its affordable housing goals.

Town of Bradford West Gwillimbury
The Town of Bradford West Gwillimbury promotes garden suites and secondary suites as part of their strategy to assist in the provision of new affordable rental housing that meets the needs of an aging population and to achieve residential intensification goals.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Policy and Regulation. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/prgasu/index.cfm

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

11. **Prohibit Downzoning**

Downzoning is the reduction of density allowed for a certain property under zoning bylaws, such as from high density to medium density. Downzoning may have the effect of reducing the affordable housing stock as sites that are currently zoned to allow multi-residential developments, which are generally more affordable, would only allow low density residential developments after the downzoning process.

Advantages	Disadvantages
▪ Ensures the efficient use of land ▪ Avoids the necessity of rezoning in the future ▪ Keeps property values high due to the high potential for development	▪ May be seen as limiting the rights of property owners ▪ May be challenging to implement in established municipalities

Legislative Requirements

Planning Act (s 16, 17. 34)

Case Studies

Ottawa, Ontario

The City of Ottawa’s Official Plan has a policy that specifically prohibits downzoning of residential land to curb the loss of affordable housing. The goal of this policy is to ensure that redevelopment of land does not result in low density infill housing and the loss of apartment potential for multi-housing types of development.

Additional Information

SHS Consulting (2009). Region of Peel Official Plan Review Background Report: Tools and Practices to Address Housing Issues.

Retaining Existing Rental Housing Stock

12. Demolition and Conversion Control

The preservation of the existing affordable housing stock is an important component of a local housing strategy. Affordable rental units are sometimes lost through demolition, the conversion of existing units from rental to ownership / condominium and property renovations.

Municipalities may enact by-laws to prohibit and regulate the demolition of residential rental properties containing six or more dwelling units and the conversion of such properties to a purpose other than residential rental. Some municipalities have developed demolition and conversion control policies through their land use processes to help ensure the preservation or replacement of affordable housing in communities where residential rental housing is decreasing. In Ontario, many municipalities have official plan policies that prohibit the conversion of rental buildings unless the vacancy rate reaches a certain level.

Some municipalities have policies related to replacing affordable housing units that have been demolished or converted to another tenure (i.e. ownership or condominium) or use. This helps ensure that the affordable housing supply in a community is not diminished.

Advantages	Disadvantages
▪ It is usually less expensive to convert existing residential properties instead of building new buildings ▪ This initiative can be combined with the preservation of historic buildings ▪ Can help preserve affordable housing for residents of a building that would otherwise be	▪ The process of renovation can be disruptive to tenants, who may have to move temporarily ▪ Sometimes the upgrading of rental housing results in rent increases even if grants are provided, so rent supplements may be needed ▪ When neighbourhoods are upgraded, they may become attractive places to live for higher-

demolished or converted to condominiums or luxury rental units ▪ Can help stabilize inner-city neighbourhoods and increase self-sufficiency of tenants	income earners, and this can push up land values and housing costs

Legislative Requirements

Planning Act, s.33

Case Studies

Guelph, Ontario

The City of Guelph has also enacted a bylaw which designates the entire city as an area subject to demolition controls, in order to retain existing residential stock and former residential buildings.

City of Ottawa

The City of Ottawa has Official Plan policies related to the conversion of six or more rental units to condominium or freehold ownership. A conversion will only be allowed if the vacancy rate is at or above 3% and the existing rents are at or above the average market rent for the area.

City of Burlington

The City of Burlington has a policy that prohibits the demolition or conversion to freehold or condominium ownership of rental properties with six or more units unless the vacancy rate has been at or above 3% for the preceding two-year period. The policy also states that were demolition occurs, replacement housing units should be provided.

Regina, Saskatchewan

Regina has a policy on the conversion of rental housing units to condominium units. Its purpose is to ensure the orderly conversion of residential rental units to condominium ownership, to provide measures to mitigate hardship for tenants of rental properties that are the subject of conversion applications, and to ensure that conversions do not significantly impact the supply of rental accommodation in the city.

The policy states that there should be a vacancy rate of 2.0% or higher as determined by CMHC's rental market reports for the conversion to be approved. Properties with two to five units, designated heritage properties, properties in the Victoria Park Conservation District, and vacant properties (at least 50% vacant for the past year) are exempted from the vacancy rate requirement. All conversions, including heritage and vacant properties, are subject to the Tenant Transition and Assistance Measures which are designed to address the hardship associated with conversions.

Vancouver, British Columbia

The City of Vancouver has a replacement housing program in the Downtown Core to help ensure that the number of units affordable to low and moderate income households is not reduced. This strategy may be replicated in an urban area where development is decreasing the amount of single room occupancies (SROs), affordable market or special needs housing. It has been stated that for the replacement program to be effective, all elements should be enforced: a one-to-one replacement, a $1,000 fee for each low income unit demolished and a percentage of development cost levies for the purpose of replacement housing.

Additional Information

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

CMHC (2016). Retaining Affordable Housing. Accessed from: http://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/pore/reafho/index.cfm

Enabling Legislation for Municipal Incentives

13. **Municipal Capital Facilities Agreements**

Municipal capital facilities agreements can be used by municipalities to create relationships with other parties such as public bodies, municipal services corporations, the private sector and not-for-profit organizations to deliver municipal facilities. The types of municipal capital facilities listed in the regulation include, among others, municipal housing project. As an example of this tool, a municipality may consider an agreement with, and providing financial assistance to, a not-for-profit organization for affordable housing facilities.

Assistance for municipal capital facilities from a municipality can include:

- Giving or lending money
- Giving, leasing or lending property
- Guaranteeing borrowing
- Property tax exemptions or reductions

Municipalities may also consider development charge exemptions for land used for municipal capital facilities.

Prior to entering into a municipal capital facilities agreement to provide affordable housing, the municipality must pass a municipal housing facility by-law. A municipal housing facility by-law must include a definition of “affordable housing”, policies regarding public eligibility for the housing units to be provided as part of the municipal capital facilities, and a summary of the provisions that an agreement respecting municipal housing project facilities is required to contain.

Advantages	**Disadvantages**
▪ Non-profits and/or private developers put up a portion of the capital and operating costs ▪ Services, such as affordable housing, are delivered even if the municipality has limited resources	▪ Significant initial investment and risk for the municipality ▪ Limited control over who the target client group is and how service is delivered •

▪ Increases the supply of affordable housing for at least the term of the agreement ▪ Project proponent takes on the responsibility of developing and operating the housing project	

Legislative Requirements

Municipal Act 2001, s.110

Case Studies

City of Kawartha Lakes
The City of Kawartha Lakes, as the Service Manager, has a bylaw to province municipal housing facilities (By-Law 2006-262). It allows the City to enter into agreements with housing providers.

Region of Peel
The Region of Peel has a bylaw, "Municipal Housing Facility Bylaw", governing the provision of municipal housing project facilities in the Region and allowing the Region to enter into agreements with housing providers.

Additional Information

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

14. Community Improvement Plans

A Community Improvement Plan (CIP) is a tool that allows a municipality to direct funds and implement policy initiatives toward a specifically defined project area. Section 28 of the *Planning Act* gives municipalities that have enabling policies in their official plans, the ability to prepare Community Improvement Plans. The Community Improvement Plans are intended to encourage rehabilitation initiatives and/or stimulate development. Once implemented, the plan allows municipalities to provide tax assistance, grants or loans to assist in the rehabilitation of lands and/or buildings within the defined Community Improvement Project Area.

Municipal councils must adopt Official Plan policies and a bylaw to designate a community improvement project area. The Official plan policies must specify municipal programs and incentives and their eligible works, improvements, buildings or facilities. The Official Plan must also identify affordable housing as a community benefit.

Subsection 28(1.1) of the Planning Act provides that community improvement includes the provision of affordable housing. Municipalities can consider using CIPs to provide for grants or loans in relation to the provision of affordable housing within CIP project areas. In some instances, loan agreements between municipalities and land owners require that specified properties be maintained as affordable housing.

Advantages	Disadvantages
▪ Can enable municipalities to provide grants and loans to stimulate private sector investment in targeted areas of the community ▪ Can promote revitalization and place-making to attract tourism, business investment and economic development opportunities ▪ May promote brownfield cleanup and redevelopment	▪ Would require investment in grants or loans within the CIP project areas

▪ May make more effective use of existing community infrastructure ▪ Allows for registration of grant and loan agreements on title	

Legislative Requirements

Planning Act (s.28), Municipal Act (s.106)

Case Studies

Waterloo, Ontario

The Region of Waterloo Reurbanization Community Improvement Plan (RRCIP) was established to help reduce development costs in an area of the Central Transit Corridor (CTC) and to promote a number of redevelopment goals, for example, providing for an appropriate range of housing choices, including affordable housing. While there were a number of under-utilized sites within the CTC with potential for reurbanization, redevelopment of these sites had proved difficult by their arrangement, the presence of existing buildings, or being too small to accommodate higher densities.

Peterborough, Ontario

The City of Peterborough Affordable Housing Community Improvement Plan (CIP) offers financial incentives to build affordable rental housing within the designated Affordable Housing Community Improvement Project Area. The project must remain affordable for a period of at least 20 years and rents must meet the City's guidelines of "affordable" which is at least at or below average market rents. The Affordable Housing CIP has a number of financial programs including the Tax Increment Grant Program, Development Charges Program, Municipal Incentive Program, and Municipal Housing Facilities Program. An eligible project can apply for all these programs as well as any other programs outside of the Affordable Housing CIP, such as the Investment in Affordable Housing (IAH) Program and the City's Heritage Property Tax Relief Program.

Additional Information

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from: http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270

Ministry of Municipal Affairs and Housing (2015). Land Use Planning: Community Improvement Plans. Accessed from: http://www.mah.gov.on.ca/Page6850.aspx

City of Peterborough (2012). Affordable Housing Community Improvement Plan: Financial Incentive Program Application Package. Accessed from: http://www.peterborough.ca/Assets/City+Assets/Planning/Documents/Affordable+Housing+CIP+Application+Package.pdf

Land-Based Incentives

Securing and Holding Land

15. Housing First Policies for Surplus Public Land

Land prices have been increasing so providing surplus land owned by governments or school boards may be a more efficient way of providing assistance to non-profit organizations and other developers of affordable housing. Some municipalities have adopted "housing first" policies calling for surplus lands to be used for housing purposes first. These municipalities have usually made such sites available on a lease basis for $1 in return for the provision of various forms of affordable housing.

Some jurisdictions, particularly municipalities, have made land available at reduced costs (even free) to stimulate development of affordable housing. For example, municipalities often have land that has been taken back on tax arrears that can be provided at reduced costs. Developers often find this an incentive to invest, depending on the location of the property. This can be an incentive for increasing both rental and ownership supply.

Advantages	Disadvantages
▪ Reduced land costs for developers of affordable housing ▪ More efficient use of government-owned surplus land ▪ Low investment for government with the potential of high returns in terms of affordable housing	▪ The municipality (or other level of government) may be passing up a chance to sell the land at a much higher rate ▪ Land may not be in an ideal location for affordable housing (e.g. not close to transit or services)

Legislative Requirements

Municipal Act, 2001 (s.107)

Case Studies

Pembrooke, Ontario

Surplus school lands are another form of surplus land that can be used for affordable housing. McKenzie Heights is an old school that was redeveloped as an 18-unit home for low income seniors. There are one and two bedroom units, most of which have exits directly to the parkland outside. Many of the units have gardens that the residents worked on themselves. There is also a central corridor that functions as a common area where residents can walk and interact with their neighbours during the winter. The support service provider uses the former principal's office. Due to the location of the school, the residents have easy access to a hospital, grocery store, and transit.

Regina, Saskatchewan

The City of Regina has a history of contributing land to affordable housing. On a number of occasions the City has donated lots to Habitat for Humanity. The City has also sold land at discounted prices for the development of affordable ownership housing. When the City puts out Requests for Proposals (RFPs) for the purchase of public land and development of residential projects, affordability is a significant factor in the evaluation, as is sustainability and appropriate density.

Additional Information

SHS Consulting (2009). Region of Peel Official Plan Review Background Report: Tools and Practices to Address Housing Issues.

Providing Land at Reduced Cost

There are a range of tools that a municipality can utilize to provide land for affordable housing. These include land leases, donating land, or providing land at below market value. These tools are described below.

16. Providing Land

a. Land Leases/ Ground Leases

The length of the lease can be as long as 99 years, which is considered to be comparable in value to freehold ownership. The length of the lease is sometimes tied to the expected life of the building, about 60 years for residential construction, which brings the lease value to about 75 per cent of outright ownership. Leases with shorter periods generally cost less to the lessee than long-term leases.

For many organizations, land leases are generally preferable to donating the land or selling it at a reduced price, because they can provide effectively the same assistance without relinquishing ownership and control of a public asset. For this reason, landholders sometimes choose to lease out the land at nominal rate (for example, $1). Also, through terms in the leasehold agreement, they are able to ensure that the affordability of the housing is maintained for the period of the lease.

b. Donated Municipally-Owned Land

In this situation, a municipality donates the land to an organization, usually a non-profit group, for the purposes of building an affordable housing project on it.

c. Providing Land at Below Market Value

Governments, non-profit groups, or private sector organizations might lease out or sell land at below market rate as a way of making housing more affordable. They have the option of enhancing affordability even more by offering the land on favourable terms or by deferring payments until they can be covered by the rental income.

Advantages	Disadvantages
▪ Providing land is an effective way of making housing more affordable, by reducing development costs, and thereby reducing the amount of financing that must be raised or borrowed at the outset of a project ▪ When leasing municipal lands, even for a nominal fee, the municipality retains the lease tenure and therefore the ability to protect the affordable housing ▪ This strategy works especially well for private developers (as an incentive)	▪ Providing land is sometimes controversial; it can be viewed as diminishing the prosperity of the city or region in question ▪ Appropriate safeguards must be put in place to prevent abuse, so that affordable housing built on provided land remains affordable ▪ In a lease arrangement, affordable housing developers do not benefit from an appreciating asset (land); instead, they are putting equity into a depreciating asset (the building) ▪ Some lenders may be unwilling to lend on developments with only a leasehold interest, because they have less security in the event of a loan default ▪ The market resale value at the end of the lease period may be $0 if there is no guarantee that the leaser will renew the lease, requiring the lessee to vacate the dwellings, demolish the structures and clean up the site ▪

Legislative Requirements

Municipal Act, 2001 (s.110)

Case Studies

Calgary, Alberta

Sun Court is a 27-unit housing development designed for low-income families aiming to become first-time homeowners, built in Calgary, Alberta. Sun Court is built on land leased to Habitat for Humanity at below-market rates. The land was obtained through a land swap between the Calgary Homeless Foundation and the City of Calgary. Habitat for Humanity holds a lease on the Sun Court land, and the Calgary Homeless Foundation retains ownership of the land.

Minden Hills, Ontario

The Kawartha Lakes Haliburton Housing Corporation developed twelve units under the Investment in Affordable Housing Program Extension. The Township donated land, waived planning and building fees, and reduced property taxes while the County made a cash donation.

Dysart, et al, Ontario

The Township of Dysart, et. al. provided land to the Kawartha Lakes Haliburton Housing Corporation for the cost of remediation of the site. This, in combination with additional contributions from the County of Haliburton, City of Kawartha Lakes, and the Township in terms of waiving planning and building fees, resulted in twelve affordable family townhouses.

Additional Information

Canada Mortgage and Housing Corporation. 2015. Affordable Housing Ideas: Financing and Tenure. Retrieved from: https://www.cmhc-schl.gc.ca/en/inpr/afhoce/afhoce/afhostcast/afhoid/fite/prla/index.cfm

17. Land Banking

Acquisition of land by a municipality prior to expanding urbanization (before land values increase); the municipality could reserve that land for a use that it deemed best in meeting their objectives. However, land prices have been increasing over the years and as such, this tool would require a significant investment from a municipality which may outweigh the benefits gained from implementing the tool.

A land bank is an organization that acts as a legal and financial entity that acquires unproductive, vacant, and developable land and holds on to it in anticipation of future development. The land bank can be a municipality or another entity established strictly for this purpose. These organizations are generally created by legislation, municipal policies, or municipal bylaws. Land banks acquire property by:

- Purchasing it on the open market or through a right of refusal on annexed or government surplus lands, or;
- Seizing it from landowners who frequently neglect to pay their property taxes or have abandoned their homes.

Advantages	Disadvantages
▪ Reduced land costs for developers of affordable housing ▪ Land banks encourage redevelopment of vacant and abandoned properties that lead to benefits such as: ▪ A reduction in city property maintenance costs ▪ Increased property tax revenues ▪ Increased local property values ▪ Promote further residential and commercial development ▪ Reduces the cost of land for affordable housing development ▪ The city has more control over the future development of land	▪ Land bank or municipality may lack sufficient acquisition funds for new land ▪ Requires ongoing and effective coordination between the land bank, the city, and affordable housing agencies ▪ Properties may not have enough value to justify development

Legislative Requirements

Planning Act (s.25) allows municipalities to acquire and hold land if the official plan includes provisions relating to the acquisition of land and how this land is to be developed.

Case Studies

City of Saskatoon

The City of Saskatoon is one Canadian example of a municipality that is very active in land banking. The City of Saskatoon Land Branch plans, services and sells residential, commercial and industrial lots owned by the City. They use the “profits” from the sale of surplus City owned land (difference between the original cost of the purchase and services and the market sale price) to support broad public policy objectives such as the physical development of neighbourhoods, community services, as well as to make money for public programs. Some 10% of Saskatoon’s land sales go into the Affordable Housing Reserve to support housing programs, which can be a substantial contribution. Approximately $7.2 million has gone into the reserve since 1987, including a one-time initial contribution of about $5.2 million and about $6.4 million has been spent on housing activities since then - a total of 1,328 housing units, including social (public) housing, private sector market affordable housing, and new homeowner co-operatives.

Additional Information

SHS Consulting (2009). Region of Peel Official Plan Review Background Report: Tools and Practices to Address Housing Issues.

Integrating Affordable Housing with Community Facilities

18. Mixed-Use Community Facilities / Hubs

There is a growing trend for municipalities to combine multiple uses, especially municipal services and housing, in single structures on city-owned land. These mixed-use community facilities or community hubs provide a central access point for a range of needed health and social services. It can be a school, neighbourhood centre, library, seniors centre, a place of worship, or affordable housing development. The major benefits of this strategy are that it reduces or eliminates the land cost for the affordable housing producer and it ensures affordability over the long term as the land will continue to remain in public ownership. Implementation of this tool may be combined with other tools and in partnership with private and/or non-profit housing and support service providers.

Advantages	Disadvantages
▪ Better use of underutilized city land ▪ Can be combined with air rights lease or other strategy where municipality may see a small income stream ▪ A more efficient and sustainable approach to providing services ▪ Improved access to services	▪ Difficult to garner community acceptance

Legislative Requirements

Land use designation in Official Plan and Zoning Bylaws must permit mixed use.

Case Studies

Vancouver, British Columbia

Streetohome is a transitional home for low-income single mothers. Joint venture initiative of the City of Vancouver, Vancouver Fire and Rescue Services and YWCA Metro Vancouver. Proposal involves replacing a 63-year-old fire hall with a six-storey building that would have a fire hall on the first two levels, 31 housing units on the top four levels, a rooftop patio and 14 parking spaces. The new fire hall would replace an aging facility and provide a seismically sound building. In addition, co-locating social housing in municipal buildings is an innovative way to address the need for more affordable housing. The project will house up to 76 moms and kids with rent set at 30 per cent of income. Multi-purpose buildings help maximize land use and keep costs down.

Streetohome - Cause We Care House is located in Vancouver's Downtown Eastside. This innovative new development will include YWCA programs and services, a public library and 21 units (a mix of 2-, 3- and 4-bedroom units) of supportive housing for single mothers and their children who are at risk of homelessness.

Richmond, British Columbia

Storeys, is a 129-unit affordable rental housing project. Storeys will include office space for the six non-profit agencies partnering on the project and some community meeting space. Construction is expected to begin summer 2015 and to be completed by spring 2016.

Winnipeg, Manitoba

The Edge – Artist Village is a development in Winnipeg's downtown Exchange District. It is a combination of affordable residential rental units and commercial space for an art gallery, studios, workshop and classrooms. There is also space available for rent by the local art community.

Town of Richmond Hill

The Richmond Hill Housing and Community Hub is an initiative led by York Region to build a multipurpose development on Yonge Street. It will incorporate a 202 unit mixed-income housing complex and a range of services for youth. These services will include emergency and transitional housing as well as a youth drop-in centre to be managed by Pathways for Children, Youth and Families in York Region. A commercial/ social enterprise space is also proposed. The development is located within a transit corridor and close to local amenities. Overall, this development will help address the need for affordable housing in the community as well as provide services for youth in southern York Region.

Additional Information

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Financial Incentives

Incentives to Reduce Capital Costs

19. Municipal Planning and Building Fees

An effective way to help produce low cost affordable housing is to create incentives to offset the costs to the developer of producing affordable housing. One way for the municipality to contribute is to waive or reduce municipal fees and charges that increase the cost of development. This is an easy and simple procedure a municipality can implement to financially support affordable housing projects. This may take the form of reductions or waivers.

Municipalities may reduce or waive planning application processing fees and building permit fees where they are satisfied that it would be unreasonable to require payment in accordance with the established tariff of fees. A reduction or waiving of the fees for applications required for an affordable housing development would help to reduce associated costs with the development.

20. Development Charges

Municipalities can impose development charges on residential developments to offset the increased capital and infrastructure costs associated with the increased requirements for services arising from the new development. In Ontario, a municipality is required to pass a Development Charges Bylaw to impose development charges. This bylaw can apply to the entire municipality or only part of it; phase in development charges to stimulate development; and, exempt or reduce development charges for certain types of developments specified in the bylaw, i.e. affordable housing.

21. Parkland Dedication / Cash-in-Lieu

Municipalities can tailor their parkland dedication and cash-in-lieu requirements to facilitate the development of affordable housing. For example, municipalities may provide for a reduction or exemption in the parkland requirements in specific geographic areas and can use this authority to help reduce the cost of affordable housing development.

Advantages	Disadvantages
▪ Lowers costs for affordable housing developers ▪ Acts as an incentive to private developers who might develop affordable housing ▪ Redesigning development fees so they reflect the size of the unit will take away the incentive for builders to develop larger, more expensive units ▪ Adjusting fee schedules to reflect true costs as nearly as possible makes urban development more efficient	▪ Municipal governments often require these fees and charges to balance budgets ▪ Sometimes there are legal issues involved with waiving development charges for affordable housing, depending on the overriding provincial statutes governing municipal responsibilities ▪ Estimating the true costs of new development is very difficult and attempts to develop marginal cost fee schedules often appear arbitrary

Legislative Requirements

Municipal Act, 2001, Development Charges Act, 1997, Planning Act (s.40, 42, 51.1, 69)

Case Studies

City of Kawartha Lakes, Ontario

The Kawartha Lakes Haliburton Housing Corporation built 29 new townhouse units and an additional 16-units as part of a regeneration project. These new units are a result of contributions from the City, including waiving of development charges, building permit fees, site plan application fees, security requirements for site plan, parkland levy, and service connection fees. The City also reduced property taxes for forty years.

City of Cambridge; Kitchener-Waterloo, City of Hamilton

The Cities of Cambridge, Kitchener, Waterloo and Hamilton have adopted by-laws which waive development charges in downtown areas for all development including residential.

City of Ottawa
The City of Ottawa's Action Ottawa initiative for affordable housing also waives development charges, planning fees, and parkland levies for affordable units.

City of Toronto
The City of Toronto's Open Door Program was approved in 2016 with the goal of encouraging the development of affordable housing. The City maintains a list of organizations (Open Door Registry) who are interested in the program and who will be notified of any updates and calls for applications or proposals. The program provides financial contributions, including capital funding, fees and property tax relief, fast-tracking approvals, and activating surplus public land.

Austin, Texas
One example of a municipality reducing development charges is the City of Austin (Texas), which will provide an exemption of about $1,570 in development levies per housing unit when builders apply for a building permit for affordable housing. The initiative is designed to attract, into the inner city, reasonably priced housing that is affordable to families with incomes below 80% of the median income for Austin, i.e., under $39,900 for a family of four. The purpose of the program is to have homes built within the City's boundaries, especially on pockets of vacant land within the City's urban core.

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22. Capital Loans and Grants

Various forms of support and incentives are needed to help address the high cost of developing new forms of housing so that they become affordable to low and moderate income families and individuals. Many municipalities provide capital funding in the form of grants, forgivable loans, or repayable loans to supplement these existing incentives and any funds received by senior levels of government.

One example of this tool is a **capital revolving loan fund** which is a source of money from which loans are made for small development projects. A loan is made to one affordable housing project at a time, and as repayments are made, funds are made available for new loans for other projects. Therefore, it is a self-replenishing pool of money, utilizing interest and principal payments on old loans to issue new ones. These loans are often used to fill financial gaps in a development project and generally have a below-market interest rate (which could be the same as the municipality's borrowing rate). While a revolving loan fund cannot finance projects on its own, the ultimate goal is to ensure the borrower is financially independent and eligible for loans from commercial banks.

In the case of affordable housing development, revolving loan funds are most likely to be used for certain cost components, along with other sources of funding and financing. For example, they might be used for predevelopment assistance or medium-term equity loans, in conjunction with conventional bank loans and government subsidies.

Another example is where the municipality, in partnership with a non-profit or private developer, provides **grants or loans for down payment** for first-time homebuyers with lower incomes. Down payment loans usually are made with no interest or at a low interest rate. The equity loan assistance is recovered after an agreed period of time set out in the second mortgage. Typically, the loan is for a fixed period of 5, 10, or 15 years, after which time it is expected that the mortgage can be refinanced with an appreciation in the property value or an increase in household income.

Advantages	Disadvantages
▪ Allowing governments to set aside funding without making an open-ended funding commitment ▪ The loans carry little or no interest ▪ Can be used in conjunction with conventional loans and various forms of government and community assistance ▪ Can be used to target specific aspects of development not covered by other sources	▪ Loan recipients must not be high credit risks (loan repayment is essential) ▪ The fund might need to be replenished when interest rates are at zero or very low ▪ The fund might not be large enough to replace other sources of funding or to fund entire projects on its own

Legislative Requirements

Municipal Act, 2001 (s.107 and 110)

Case Studies

Regina, Saskatchewan

The City of Regina has a Social Development Reserve which is used for the funding of capital projects or capital grants to further social development within the City of Regina. It is funded through contributions by the municipality as well as the City's portion of revenues received under the Land Development Agreement with the Saskatchewan Housing Corporation (SHC). A capital contribution of $10,000 per unit of affordable housing, which is defined as housing for individuals and families who are at or below the Provincial Maximum Income Levels (MILs) or housing established by non-profit housing providers and Aboriginal organizations, may be provided from the Social Development Reserve.

Province of Ontario

For example, the Canada-Ontario Affordable Housing Program which provides one-time up-front Federal and Provincial capital grants of $150,000 per unit to private or non-profit developers if they charge a rent at or below 80 percent of Canada Mortgage and Housing Corporation (CMHC) Average Market Rent (AMR).

Region of Ottawa-Carleton (former)

The former Region of Ottawa-Carleton established a Capital Grants Fund from its social housing administration surplus (about $1 million in 1998) and the Provincial Homelessness Initiative Fund. The purpose of the Capital Grants Fund is to increase the supply of affordable housing for persons who are homeless or at risk of homelessness.

Toronto, Ontario

Toronto's Capital Revolving Fund was established in 1999 with a capital allocation of $10.9 million coming mostly from the City's successful density-bonusing program in the 1980s. The assistance may take the form of capital grants, loans or forgivable loans. Affordable ownership and affordable rental projects are both eligible. As a general rule, the Fund will support no more than 15 per cent to 25 per cent of the total capital costs of a project. The Capital Revolving Fund had an uncommitted balance of approximately $3.5 million in 2013.

Winnipeg, Manitoba

This revolving loan fund was established by the Winnipeg Real Estate Board, and was funded through dedicated revenues from the interest on real estate broker accounts, and public funding from a home equity program. The Fund reduces borrowers' costs by using cash wherever possible instead of financing its purchases. As of mid-1999, $574,000 was used for three homes.

City of Toronto – Options for Homes

This non-profit housing developer provides second mortgage loans to cover the difference between a unit's market value and the cost of producing the unit. The loan, which covers the down payment required for the purchaser to qualify for a mortgage is repayable when the unit is resold. The second mortgage increases with the appreciation of the unit and generates a long term source of income for the developer that can be used on subsequent developments.

Region of Peel

The Home in Peel Affordable Ownership Program is designed to provide low- and moderate-income residents who are currently renting a unit in the Region the opportunity to qualify for down payment loan assistance to buy a home in Peel

Region. The program will assist eligible applicants who have a total gross household income of $87,800 or less to purchase a resale home in the Region that does not exceed a purchase price of $330,000.

City of Kawartha Lakes

Habitat for Humanity Peterborough and Kawartha Region built five homes in Kawartha Lakes as a result of a partnership with the City. In addition to waiving planning and building fees, the City provided down payment assistance of $50,000 for each partner family through the Investment in Affordable Housing Program Extension.

Additional Information

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Incentives to Reduce Ongoing Costs

23. Property Tax Equalization for New Rental Construction/ Property Tax Exemption

Municipalities impose tax rates on classes of real property. Generally, the multi-residential class includes rental apartment properties with seven or more units and the residential class includes condos and single residential dwellings. The municipal tax rate for the multi-residential class is often higher than the rate for the residential class. In conjunction with their local policies on affordable housing and incentives for it, municipalities have the option to reduce the property tax rate on multi-residential properties to near or equal the tax rate for the residential property class.

Some municipalities provide property tax exemptions to promote various local development initiatives. By exempting property from taxation, it reduces the ongoing costs of an agency's operations. For example, a municipality may promote the development and rehabilitation of affordable housing units by providing a long-term tax exemption to a property owner.

Advantages	Disadvantages
▪ Lessens the burden on operating costs for affordable multi-residential rental housing	▪ Decreases an important source of revenue for municipalities

Legislative Requirements

Municipal Act, 2001 (s.308)

Case Studies

Regina, Saskatchewan

The City of Regina has been offering tax exemptions for residential developments. The exemptions are provided for up to five years, and only apply to the residential building assessments, thus excluding any portions used for commercial or other purposes. The exemptions start the January of the year following the commencement of construction.

City of Toronto

The City of Toronto established a special property tax class for new multi-residential rental housing. This new rate allows new rental housing to be taxed at the same rate as condominium homes for up to eight years (the maximum allowed by provincial law).

Many municipalities have established new multi-residential tax classes with lower municipal tax rates on new multi-residential buildings, including: the Cities of, Ottawa, Kingston, Guelph, Hamilton, Orillia, Greater Sudbury, Timmins, the Town of Parry Sound, and the Region of Waterloo.

Seattle, Washington

Seattle's Property Tax Exemption for Multifamily Housing Program is designed to stimulate the construction or rehabilitation of affordable multi-family housing units. The value of the multi-family housing unit improvements is exempted under the program for ten years and is transferable to new property owners. Housing developers have three years to complete their projects to be able to receive tax abatements.

Halifax Regional Municipality

The Tax Exemption for Non-Profit Organizations Program in Halifax provides property tax reductions and exemptions to non-profit agencies in general. This program is geared towards providing tax exemptions and reductions to agencies that provide a service or program that replaces a municipal program. Special provisions for property tax exemptions are made for non-profit agencies that provide shelter and affordable housing.

City of Toronto

In 2011, Council adopted Declaration as Municipal Housing Capital Facilities and Exemption from Municipal and School Property Taxes which resulted in the exemption from property taxes of about 289 Toronto Community Housing Corporation (TCHC) properties. This resulted in net savings to TCHC of about $6.9 million beginning in 2012. The savings was to be used to fund state of good repair expenditures.

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24. **Tax Increment Equivalent Grants**

A Tax Increment Equivalent Grant (TIEG) provides grants or rebates to property owners to offset a portion of the property tax increase the owners will face as a result of a redevelopment. The TIEG is payable in instalments, typically over a ten-year period, with year one rebating 100% of the tax increase, and the percentage declining over time. This tool can be used as part of a CIP to encourage the development of affordable housing and may be less complex to implement than a TIF.

Advantages	**Disadvantages**
▪ Encourages redevelopment of an area as it decreases the future tax burden ▪ Offers a strategy to "self-finance" a redevelopment project without having to raise or impose new taxes ▪ Once the TIEG expires, the municipality will receive the full benefit of the property taxes on a much higher property tax base that would otherwise be present ▪ Can be an additional revenue stream to meet a community's housing needs	▪ Decreases an important source of revenue for municipalities

Legislative Requirements

It is permitted through Section 28 of the Planning Act, but must be accompanied by an adopted community improvement plan for the area in question.

Case Studies

City of Peterborough

In 2011, the City approved the Central Area Community Improvement Plan and the Affordable Housing Community Improvement Plan to provide financial assistance to downtown redevelopment and revitalization projects and to assist in the creation of affordable housing. Three programs were implemented under the Affordable Housing CIP. The Municipal Incentive Program waives municipal fees such as planning application fees, parkland fees, and cash-in-lieu of parking for affordable housing projects. The Development Charges Program waives the payment of development charges for any new affordable housing units. The Tax Increment Grant Program is an annual grant to property owners to reimburse a portion of the municipal property tax increase resulting from increased assessment. The program would be implemented over nine years. For the first five years, the grant would be equivalent to 100% of the municipal tax increase with the property owner gradually paying the full amount of taxes from years 6 to 9.

City of Sault Ste. Marie

The Rental Housing Community Improvement Plan was implemented to increase Sault Ste. Marie's inventory of affordable rental housing, including barrier-free accommodation and assisted living units. The Rental Housing Tax Increment Equivalent Grant Program provides a grant to property owners who undertake the development or redevelopment of properties that result in a reassessment. The determined amount of the grant would be based on the incremental increase in the municipal taxes on a declining rate basis for a maximum of three years. When an approved project is complete, a grant will be paid annually by the City to the eligible applicant following the full payment of property taxes. In year one, the grant may equal up to 75% of the incremented taxes for the subject property. This decreases to 50% in year two and 25% in year three. The grants also support the inclusion of assisted living facilities and encourage developments that exceed the minimum requirements for barrier free design. Projects that include these elements will be eligible for one additional year of incentive of up to 75% tax grant.

Additional Information

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25. Tax Increment Financing

In Ontario, Tax Increment Financing (TIF) is generally provided through a grant and is essentially the difference between future tax payable and current tax payable that would result from re-development. This incentive is often seen in redevelopment areas or brownfield strategies. It is also used to increase the supply of affordable housing and/or improve the quality of affordable housing in an area. In these cases, affordable housing is the capital investment that is intended to fuel community revitalization. In other cases, TIFs are set up principally to fund other investments such as roads or sewers, that are intended to stimulate economic revitalization or growth in a community. Affordable housing is funded as a secondary activity using revenues generated from the primary capital improvements or bond proceeds raised in anticipation of those revenues. TIFs can also be used to preserve affordable housing opportunities in neighbourhoods undergoing rapid increases in housing prices.

Tax Increment Financing Act, 2006 authorizes a municipality to apply to receive such funding from the province by preparing a feasibility study and submitting it to the minister. Once the project is designated and one or more tax increment finance districts are established, the municipality and the province can enter into an agreement that would allow the municipality to direct a portion of the anticipated increased property taxes resulting from the initiative to fund the project.

This tool would be well-suited for specific neighbourhoods in need of redevelopment or large tracts of land to be developed. TIFs can also be used as a mechanism to support affordable housing near transit investments and in this way, the municipality may use this tool in combination with other tools to build affordable housing.

Advantages	Disadvantages
▪ Encourages redevelopment of an area as it decreases the future tax burden ▪ Helps reduce the costs and risks of developing brownfield sites	▪ Decreases an important source of revenue for municipalities ▪ May be complicated to implement

Advantages	Disadvantages
▪ Offers a strategy to "self-finance" a redevelopment project without having to raise or impose new taxes ▪ Once the TIF expires, the municipality will receive the full benefit of the property taxes on a much higher property tax base that would otherwise be present ▪ Can be an additional revenue stream to meet a community's housing needs	

Legislative Requirements

It is permitted through Section 28 of the Planning Act, but must be accompanied by an adopted community improvement plan for the area in question. Once approved by the Province, the municipality may offer TIF, grants, loans or other such incentives within the area covered by the plan.

Case Studies

City of Toronto

The City of Toronto, under the City of Toronto Act, has been granted the authority to implement TIF within prescribed areas.

City of Cambridge

The City of Cambridge has used tax increment financing to stimulate improvements and development within its downtown core.

Massachusetts, United States

In Massachusetts, the Department of Community Development and Housing's Urban Center Housing – Tax Increment Financing Program authorizes local governments to use TIF financing for affordable housing in commercial centers that have a low population during non-business hours. Municipalities must demonstrate the need for multifamily housing within the area they target under this program and designate at least 25% of new housing units to be affordable.

Utah, United States
The State of Utah mandates that municipalities that have adopted TIF after May 2000 and generate $100,000 of annual tax increment must set aside a minimum of 20% of the funds collected for affordable housing construction, retention, or development within TIF boundaries. An additional 20% of TIF revenues can be used to replace homes lost to urban renewal and to housing preservation efforts outside of the TIF project area.

City of Sacramento, United States
The City of Sacramento and Sacramento Redevelopment Agency purchased 116 formerly private four-plex buildings in south Sacramento and redeveloped them into rental apartments for low-income families and seniors. Funds set aside for housing from a TIF district contributed a significant portion of the financing for this project.

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Mechanisms to Create a Capital Fund to Provide Incentives

26. Housing Trust Funds

HTFs are organizations that have secured a permanent source of on-going revenue committed to the provision of affordable housing. This dedicated revenue is usually established through legislation or ordinance and it nearly all comes directly or indirectly from local government sources, such as fees or taxes on some activity (e.g. linkage fees, surcharge on property taxes), or the interest on some public account (e.g. real estate escrow accounts). In this way, the funding is less vulnerable to shifting political priorities and it provides a better basis for creating long-term policies and programs. In addition to the dedicated on-going revenue, most HTFs in the US received some form of start-up funds, such as a government grant, endowment and/or contributions from other sources. An HTF can be replicated in any municipality where a source of capital is available to dedicate to housing initiatives and the benefits are high.

Advantages	Disadvantages
▪ HTFs rely on dedicated and ongoing funding support so they are able to establish long term priorities and policies and develop sustained relationships with the community-based providers of affordable housing and related services ▪ HTFs do not rely on accessing program funds or other types of financial support from local community or government stakeholders as they have a dedicated source of ongoing funding ▪ HTFs have shown a marked ability to foster new housing solutions particularly ones that respond to local opportunities and needs	▪ HTFs in the U.S. use their resources most effectively by piggy-backing on federal and other funding and financing; the absence of comparable assistance in Canada limits what HTFs are able to accomplish ▪ Establishing an HTF with a designated government revenue source requires strong commitment from governments ▪ If the dedicated source of funding generates more revenues than are used for housing, then the designation is essentially an implicit form of increased taxation ▪ Dedicated sources of funding for HTF management must be politically sustainable if government priorities change

Advantages	Disadvantages
	▪ The scale of initiatives is limited by the magnitude of the upfront funding as well as ongoing financial support by the local community and government stakeholders ▪ If the sources of funds comes from an existing levy or tax, then governments must make up shortfalls in other ways. When the funding comes from fees, levies and taxes on housing in general, the affordability of market-priced housing may be slightly reduced

Legislative Requirements

Further research is required.

Case Studies

Municipality of Whistler, British Columbia

The Resort Municipality of Whistler has a high need for affordable housing options to house permanent and seasonal employees working in the tourism industry, which is by far the most important employment sector in the municipality. To do so, Whistler has developed a unique trust fund approach to providing financing for the construction of affordable housing for the community's tourism employees.

The Employee Housing Service Charge Fund, implemented in 1990 through a municipal bylaw, is financed through levies placed on developments that increase the number of employees in the community. It finances a housing program that provides affordable alternatives to market housing for full-time, permanent and seasonal employees, their families, and retirees. Both rental and ownership units in a mix of sizes and locations are available through this program, access to which is restricted to Whistler residents.

Additional Information

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27. Levy on Property Tax for Affordable Housing

Some municipalities impose a levy or surcharge on property taxes specifically to develop affordable/social housing. Some municipalities have successfully introduced infrastructure and storm water surcharge levies on the municipal property tax bill. Consideration should be given to introducing a similar surcharge on all tax classes or certain non-residential tax classes which benefit from the presence of affordable housing in the municipality. However, community acceptance activities would be required to get buy-in from residents.

Advantages	Disadvantages
▪ Provides an ongoing source of funds for affordable housing	▪ Would require extensive public education campaigns and acceptance by tax payers

Legislative Requirements

Further research is required.

Case Studies

Seattle, Washington

In order to address a shortfall in affordable housing, the City of Seattle placed a policy question to voters on a referendum, asking residents if they were prepared to direct one percent of their annual property taxes towards a fund used by the City to develop social housing. Voters first approved the policy in 1981, and it has subsequently been re-approved in 1986, 1995, 2002, and 2009. The initiative has provided millions of dollars in funding, helping to create over 12,500 affordable apartments for seniors, low- and moderate-wage workers, and formerly homeless individuals and families. It has also provided homeownership assistance to more than 800 first-time low-income home buyers and emergency rental assistance to more than 6,500 households. The 2009 Seattle Housing Levy expires at the end of 2016 and the current mayor has proposed renewing and expanding the levy to provide $290 million over seven years for affordable housing.

City of Toronto, Ontario

The City of Toronto has implemented a City Building Fund (CBF) levy as part of its 2017 property taxes. This replaced the transit expansion levy. It is a dedicated property tax levy for priority transit and housing capital projects equal to a 0.5% residential property tax increase in 2017, with additional 0.5% increases each year from 2018 to 2021. This new levy is expected to add about $13 to the average property tax bill. By 2021, it is expected to raise up to $70 million a year.

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28. Sale of Air Rights/ Transfer of Development Credits

A transfer of development credits (TDC) or rights (TDR) program relocates development potential from properties in designated “sending areas” to sites in designated “receiving areas.” A TDR transaction involves: (a) selling the development rights from a sending site, thereby preserving the sending site from future redevelopment; and (b) purchase of those development rights by the owner of a site in the receiving area to be allowed to build at a higher density or height than ordinarily permitted by the base zoning.

TDC programs provide a method of preserving rural landscape or urban areas by permitting the transfer of development potential from one area and conferring it on another. The owner of the restricted parcel receives development potential credit which may be sold and used by a purchaser to increase development potential on another parcel which is more suitable for development. TDCs are designed to enable compensation for a landowner for the loss of development potential.

The development of a TDC program has five primary steps: determine the need/ desirability for a TDC program; initiate public consultation; identify TDC sending and receiving areas; create a development ‘credit’ system; and identify a mechanism for extinguishing development potential on conservation parcels.

The **sale of air rights** is a form of TDC in that the rights vested in the ownership of all the property at and above a certain horizontal plane as well as caisson and column lots essential to contain the structural supports of the air rights improvement is sold. This means in effect a horizontal division of real property with the parts under separate ownership and involving an allocation of responsibilities and rights.

Implementation of a TDC is complicated and may be more applicable to municipalities with large agricultural or environmentally-sensitive lands or heritage buildings. Selling air rights would also be complicated as it would require creation of specific policies and bylaws to guide the development of air rights as well as education initiatives to educate developers and residents on the use and benefits of applying the tool. It would also be most relevant for highly built-up areas and as such may not bring as much benefit in terms of increasing the supply of affordable housing in rural, remote or suburban communities.

Advantages	Disadvantages
▪ Provides compensation for a landowner for the loss of development potential ▪ Assists municipalities in implementing preservation polices while serving development interests ▪ Owners of land being conserved and developers both receive financial gain without the municipality having to make a financial investment ▪ Ability to tailor a program specifically to the needs and opportunities within a community ▪ Air rights over publicly owned facilities such as streets or parking lots may be sold for increased revenue ▪ For a developer, air space offers the opportunity to secure a large site in one transaction and eliminates the need to assemble several parcels of land, demolish existing structures and relocate existing tenants ▪ Offers the change to obtain a prime site, such as near services or transit ▪ Air space is often less expensive than similarly located vacant land which will offset additional construction costs	▪ Success would depend on the presence of a market for TDC credits. If there is no market, landowners in sending areas will have no incentive to restrict the uses of their property to acquire TDC credits ▪ Obtaining community support for a TDC program, which is critical for the success of the program, may not be easy ▪ More than one municipal jurisdiction may be involved in establishing a TDC program and the municipality must consult and reach appropriate ▪ If a municipality's bylaws and plans offer a wide variety of zones, there may not be sufficient incentive for developers to participate in a TDC program. ▪ Municipal policies and regulations would have to be specific as to the use of air rights otherwise this may open up air space to types of developments that were not anticipated or planned for in the land use plan ▪ Would add to the demand on existing public facilities and utilities ▪ Would cut off light and air for surrounding structures

▪ Will eliminate eyesores, such as open parking lots and railroad yards	▪ There may be challenges if the use underneath the air space has to be expanded ▪ Compatibility between the existing use and the proposed use for the air space

Legislative Requirements

There is currently no overriding legislation that expressly authorizes TDC programs but there is also no specific statement limiting a municipality's power with respect to a TDC program.

Case Studies

New York, United States

New York, NY became the first community in the United States to adopt TDR provisions when it approved its Landmarks Preservation Law in 1968. According to John Bredin, writing in the November 1998 issue of the PAS Memo, the City adopted a new TDR program in 1998 designed to prevent the demolition or conversion of live-performance theaters in the Broadway theater district.

Vancouver, British Columbia

Vancouver has Canada's only active and comprehensive TDC program called the Heritage Density Transfer System. It was initiated in 1983 and amended to its current form in 1993. It is used predominantly to protect historical buildings in designated districts but can be used for open space or park creation or to affect urban design. A main goal of the program is to make the restoration of historical buildings as financially attractive as redevelopment of the land.

City of Toronto, Ontario

Toronto started applying TDC-type mechanisms to protect heritage buildings in 1976 through the City's Central Area Plan. The objective was to provide revenue to restore heritage buildings. Initially the program targeted historical buildings used for the performing arts and small sites no larger than 0.405 hectares. Any new development was eligible as a receiving site if they were interested in increased density or height and are willing to work with the owner of the capital facilities (e.g. historical buildings) that provided a community benefit listed in the Official Plan. The relationship with the capital facilities (sending area) would be described in the development application and would be approved or not on an individual application basis. To achieve the original goals of the program, the city now uses the Toronto Heritage Grant Program.

Additional Information

Higgins, N. 2000. Transfer Development Rights. Retrieved from: http://depts.washington.edu/open2100/pdf/3_OpenSpaceImplement/Implementation_Mechanisms/transfer_development_rights.pdf

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Greenaway, G. and Good, K. (2008). Canadian Experience with Transfer of Development Credits.

29. **Land Value Capture**

Cities around the world have become increasingly interested in the tools and techniques of land value capture as a means to pay for infrastructure. Generally understood as a way of allowing the public to benefit from rising land values that result from government investments in infrastructure, or from administrative or regulatory changes in land uses, land value capture can take many different forms.

Land Value Capture (LVC) is a way to capture the increase in the value of land and development generated by the improved accessibility of transportation. Improved access has value which is reflected in land and property values just like property which has waterfront views.

Existing LVC approaches tend to either be a development-based approach, a general taxation or levy or a combination of both depending on the local circumstances and the development patterns and potential. Development-based methods fall into two sub-categories, where the transit provider is directly involved in delivery of the development and those where the transit provider works in partnership with the development industry but is not involved in the development delivery. While development-based methods provides more direct control and potentially greater reward, it requires development experience and expertise as the risks can be significant. The taxation-based method tries to capture the increase in value due to improved accessibility through various forms of taxes or levies on the completed developments. They can also be applied to existing developments although this would be more difficult. This can take the form of Special Assessment Districts, Development Charges, Tax Increment Financing, Land Value Taxes, Impact Fees and other forms of taxes or levies.

In terms of housing, the increased property and land values that result from a municipality’s investment in transit may be partly reinvested in increasing the supply of affordable housing.

Advantages	Disadvantages
▪ It helps build a more competitive region with a higher quality of life ▪ Helps build sustainable and healthier communities ▪ Helps reduce the cost of living ▪ Helps reduce congestion and pollution	▪ Acceptance of the principle of LVC and the benefits may be challenging ▪ Challenges related to collaboration between public and private sector stakeholders ▪ Changes to policy and legal framework may be required ▪ Changes to appraisal methods may be required ▪ Challenges related to easily releasing and capturing the added value

Legislative Requirements

Planning Act, Development Charges Act, Metrolinx Corporate Real Estate Policy (although this may have to be updated to match the objective of maximizing LVC potential).

Case Studies

London, U.K.

The new Jubilee Line in London has been shown to have generated around £13 billion in total increased land and property value around the ten stations between Stratford and Waterloo against a capital cost of £3.5 billion.

Additional Information

Munk School of Global Affairs. 2015. Land Value Capture: Principle and Practice in Canada and Around the World. Retrieved from: http://munkschool.utoronto.ca/imfg/land-value-capture-principle-and-practice-in-canada-and-around-the-world/

Metrolinx. 2013. Land Value Capture Discussion Paper. Retrieved from: http://www.metrolinx.com/en/regionalplanning/funding/Land_Value_Capture_Discussion_Paper_EN.pdf