

Staff Report

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Report To:	General Government Committee	Report Number:	CAO-013-19
Date of Meeting:	November 25, 2019	Resolution#:	
Submitted By:	Andrew C. Allison, CAO	By-law Number:	
Report Subject:	Affordable Housing Toolkit		

Recommendations:

1. That Report CAO-013-19 be received;
2. That the Municipality continue to utilize the following tools to incentivize all qualifying affordable housing projects:
 - (a) Expedited Approvals (section 2.3);
 - (b) Secondary Suite Development Charge Exemption (section 2.6);
 - (c) Deferral of Payment of Development Charges (section 2.10);
 - (d) Partial Waiver of Development Application Fees (section 2.11);
 - (e) Waiver of Security Requirements (section 2.12); and
 - (f) Property Tax Rate Rebate (section 2.13);
3. That staff prepare a draft Official Plan Amendment and Zoning By-Law Amendment to implement Bill 108 requirements respecting additional residential units (secondary suites and garden suites – sections 2.6 and 2.7);
4. That staff investigate the possibility of using inclusionary zoning policies (section 2.8) and report back to Council;
5. That staff report back to Council on the use of community benefits charges (section 2.14) after the *Planning Act* regulations respecting CBCs are in place and more is known about how they can be applied;
6. That the Clarington Official Plan policy encouraging affordable housing be implemented through Secondary Plan policies (section 1.12);
7. That staff investigate and report back to Council respecting policies that would allow developers that are not receiving provincial or federal subsidies to receive Municipal incentives (section 1.12);
8. That reducing parking requirements (section 2.5), providing land (section 2.9) and any other possible incentives be considered by Council on a case-by-case basis;

9. That staff be directed to prepare a policy (Affordable Housing Toolkit) that affordable housing developers can pull from as they work to build their financial models;
10. That staff be directed to work with the community (non-profits in particular) to provide education respecting affordable housing development in Clarington; and
11. That all interested parties listed in Report CAO-013-19 and any delegations be advised of Council's decision.

Report Overview

As part of the 2019-2022 Strategic Plan, Council expressed a desire to develop an affordable housing policy. The CAO's Office has been working closely with various Municipal departments, the Clarington Task Force on Affordable Housing, and other groups to develop a comprehensive affordable housing toolkit. Staff are recommending that a policy (Affordable Housing Toolkit) be prepared that indicates which incentives will be available to qualifying persons looking to develop affordable housing projects in Clarington.

1. Background

Clarington Task Force on Affordable Housing

- 1.1 Following an official visit and roundtable discussion with the Lieutenant Governor Elizabeth Dowdeswell on January 29, 2018, a Task Force on Affordable Housing was formed.
- 1.2 The Clarington Task Force on Affordable Housing has been mandated to provide advice, comments and recommendations to Council on issues related to affordable rental housing for both low and moderately-low income households and seniors housing needs.
- 1.3 Clarington Council included "Develop an Affordable Housing Policy" as part of its 2019-2022 Strategic Plan.
- 1.4 At the May 27, 2019 General Government Committee meeting, Task Force members spoke to Council about their work to date, inclusive of their desire for the Municipality to donate surplus lands to spark affordable housing in the community. At that meeting, the following resolution (Resolution #GG-320-19) was passed:

That Council receive the delegation from the Clarington Taskforce on Affordable Housing and ask that their findings and recommendations be submitted to staff for the development of an Affordable Housing Strategy and Toolkit.

That an update from staff be provided in October, pending Bill 108 regulations, with a draft Toolkit outlining potential options for the Clarington Affordable Housing Taskforce to consider.

That a draft of the toolkit be provided to the Clarington Affordable Housing Taskforce in order to provide input and comment.

- 1.5 A draft toolkit was presented in PowerPoint format to the Task Force on October 22, 2019 (see Attachment 1). The two main requests from Task Force members in response to the presentation were as follows:
- Provide a single point of contact within the Municipality to assist affordable housing providers through the process from application to build-out. This would be especially important for non-profit groups who likely will not have the same expertise as a traditional developer.
 - Look to adopt a model like the Cambridge Community Improvement Plan that includes a full suite of incentives.

Current State of Clarington Housing Market

- 1.6 As set out in the 2018 Growth Trend Report (Planning Services), the average housing prices in Clarington's Urban & Rural Areas by type in 2018 were as follows:

Table 5: Average House Price in Clarington's Urban & Rural Areas by Type, 2018⁷

	Single Detached	Semi-Detached	Townhouse	Condo-Town	Condo Apt	Other
Bowmanville	\$585,000	\$397,000	\$439,000	-	\$324,000	\$489,000
Courtice	\$614,000	\$470,000	\$429,000	\$412,000	-	\$482,000
Newcastle	\$515,000	-	-	-	\$323,000	\$530,000
Orono	\$510,000	-	-	-	-	-
Rural Clarington	\$805,000	-	-	-	-	-

Note: Some statistics are not reported when the number of transactions is two or less.

⁷ Toronto Real Estate Board. (2018). *Community Housing Market Report Durham Region: Clarington Fourth Quarter 2018*.

- 1.7 A deeper dive into the 2018 Growth Trend Report reveals a disturbing trend in the value appreciation of all housing classes. Nearly all classes have risen in value by over 50% on average in the 2014-2018 timeframe. This trend has created further strain on the affordability market.

What Does Affordable Mean?

- 1.8 There is confusion and lack of consensus as to what the definition of "affordable" should be. The Clarington Official Plan defines it as no more than 30% of gross monthly income or rent. This does not line up with the definition put forward by the Canadian Mortgage and Housing Corporation (CMHC), which uses an 80% of Average Market Rent threshold.

- 1.9 The CMHC 80% of Average Market Rent threshold is the main standard when applying for Federal and Provincial funding. As such, it is the definition that will be used for the duration of this report and all recommendations outlined.
- 1.10 There is also confusion as to where on the housing continuum municipal government should be focusing its attention. This report will be focused on the “Affordable Rental Housing” and “Affordable Home Ownership” sections.

THE HOUSING CONTINUUM



- 1.11 Based upon the CMHC definition, the following rent thresholds have been identified as affordable in Durham Region using 2018 calculations (numbers are not further broken out to be Clarington specific):

Allowable rent for Bachelor apartments	\$656 per month
Allowable rent for 1 Bedroom apartment	\$826 per month
Allowable rent for 2 Bedroom apartment	\$935 per month
Allowable average rent for 3 Bedroom apartment	\$1,044 per month

- 1.12 At this time, staff are recommending that in order to receive the benefit of any of the affordable housing incentives described below, the projects must qualify for federal and/or provincial funding such as Social Infrastructure Fund (SIF) - Investment in Affordable Housing (IAH) program. In the future, staff will research the feasibility of providing incentives to projects not receiving such funding. This may be possible through planning policy contained in Official Plans and Secondary Plans or other development approval tools.

2. Toolkit – Incentivizing Affordable Housing

- 2.1 For purposes of this report, staff have created the following three categories of tools to increase the affordable housing stock in Clarington: Municipal and Regulatory Process Tools, Land Based Incentives, and Financial Incentives. Some of the tools described below are already being used.
- 2.2 The tools described in this report are by no means exhaustive. There are many more potential tools available to incentivize affordable housing. For example, some municipalities incentivize affordable housing using reductions in building permit fees and tax increment financing. In this report, staff have attempted to briefly summarize and present options that are both practical and achievable.

Municipal Regulatory and Process Tools

- 2.3 **Expedited Approvals Process** – This tool has been a component of affordable housing strategies in several municipalities. The benefit of this tool is that it provides a fast-tracking process which can reduce the costs associated with holding undeveloped land, reduce development risk, and allow construction to begin sooner (lowering financing costs). Clarington utilizes a Priority Application Status system.
- 2.4 **Application Assistance (Community Outreach)** – Providing developers, non-profits and other interested parties with up-to-date information around affordable housing and the process to access potential government incentives. Much of this is an educational piece, which could extend further to the general public to explain what affordable housing is and how the community is supporting it. For example, the City of Mississauga actively promotes public education and outreach in order to explain to the community how secondary suites work, the application process and the role they play in helping alleviate the affordability crisis.
- 2.5 **Reduction in Parking Requirements** – Required parking can increase the cost of development. A reduction of parking requirements could facilitate pedestrian-friendly and transit-supportive communities.
- 2.6 **Secondary Suites** – Within “Bill 108: More Homes, More Choices Act”, the Ontario Government made it clear that they believe secondary suites are a key part of the affordable housing solution by requiring municipalities to allow secondary suites. Clarington provides a development charge exemption for the creation of one additional unit (apartment-in-house) in a single detached dwelling, semi-detached building or townhouse dwelling where the gross floor area of the additional unit does not exceed the original gross floor area of the existing dwelling.

- 2.7 **Garden Suites** – The legal definition is “a one-unit detached residential structure containing bathroom and kitchen facilities that is ancillary to an existing residential structure and that is designed to be portable.” The draft Zoning By-law released in November 2018 for the rural portion of Clarington proposes to permit a secondary apartment dwelling on a rural residential property as well as Agriculturally zoned parcels within the existing dwelling or detached garage.
- 2.8 **Inclusionary Zoning** – This is a planning tool that calls for a required number of affordable units to be built within a specific area. The powers of this tool have recently been amended and restricted such that they only to Major Transit Station Areas (MTSA). They also require inclusion in the Regional Official Plan. Despite not having approved stations or inclusion in the appropriate planning documents, Inclusionary Zoning could be explored in the MTSA's in Courtice and Bowmanville (transportation hubs).

Land Based Incentives

- 2.9 **Providing Land** – In a high number of cases, affordable housing projects have been successful because the land was either gifted or provided at below-market value. The Municipality has identified surplus land that could be designated for affordable usage, either through a land lease, donation or sale (below market value). Partnerships could be forged with other government entities (e.g. school boards, Regional government), non-profits and the private sector to look at undertaking similar arrangements.

Financial Incentives

- 2.10 **Phasing, Deferring or Waiving Development Charges** – Reducing the financial burden on a project can assist in making it viable. Recent changes to the *Development Charges Act, 1997* provide for longer payment terms. The opportunity exists in 2020 when updating Clarington's DC by-law to consider other DC incentives as well. The legislative changes are as follows:

- 21 payments over 20 years for non-profit developments
- 6 payments over 5 years for rental housing (not non-profit)

Clarington has entered into agreements to defer collection of development charges (e.g. Parkview Lodge).

- 2.11 **Phasing, Deferring or Waiving Development Application Fees** - Clarington offers a 50% reduction of development application fees (e.g. site plan, rezoning, minor variance) for non-profit and registered charitable organizations like Parkview Lodge.
- 2.12 **Waive Security Requirements** – Builders are required to put up funds to meet security requirements under development agreements. Parkview Lodge was required to put up

thousands of dollars to secure servicing costs. The Municipality waived that requirement.

- 2.13 **Property Tax Rate Rebate** – In order to qualify for the affordable housing fund under the SIF-IAH Program (Social Infrastructure Fund – Investment in Affordable Housing), the host municipality must set the property tax rate at that of residential, not multi-residential. This is applied only to the units that are deemed affordable. It is provided in the form of an annual rebate of taxes paid. Clarington Council utilized this tool to assist Parkview Lodge by employing a rebate (from multi-residential to residential). This rebate has a 20-year term, provided that the project remains an eligible affordable housing project. The foregone revenue is \$4,055/year in 2019 dollars.
- 2.14 **Community Benefit Charges** – Bill 108 will remove soft services (parks, recreation, library and planning studies) from development charges and move these services to a community benefit charge (CBC). The implication of this change is not yet known, as the regulations under the Act have not been released. It is anticipated that the regulations will be released in late 2019. The proposed regulations outline several exemptions from CBCs, notably (a) long-term care homes; (b) retirement homes; and (c) non-profit housing.
- 2.15 **Affordable Housing CIPs** – Some municipalities have created community improvement plans for areas where affordable housing should be encouraged (e.g. near transit). The City of Cambridge implemented its Affordable Housing Community Improvement Plan (CIP) to minimize the financial barriers to the creation of affordable housing projects by introducing incentive-based programs. The Affordable Housing CIP was adopted by Cambridge Council in November 2016 and offers eligible projects exemption from municipal fees including planning application, building permit and sign permit fees, deferral of development charges and tax increment equivalent grants.

3. Conclusion

- 3.1 The Municipality currently offers eligible affordable housing developers several incentives to assist with the financial feasibility of their projects. More could potentially be done, including the packaging and promotion of our incentives.
- 3.2 Staff are recommending that a list of current and potential incentives be provided to developers in the form of a toolkit. This would also allow staff to use the document to educate the community around affordable housing development.

Staff Contact: Justin MacLean, Corporate Policy Analyst, (905) 623-3379 Ext. 2017 or jmaclean@clarington.net.

Attachment:

Attachment 1 – Presentation to Clarington Task Force on Affordable Housing

The following interested parties will be notified of Council's decision:
Clarington Task Force on Affordable Housing

Affordable Housing Toolkit

November 22, 2019

Clarington

A wooden desk with a laptop, a notebook, and a pair of glasses. The laptop screen shows a website with various images and text. The notebook is open, and a pair of glasses is resting on it. The desk is set against a background of a patterned rug and a wooden floor.

Background

Strategic Priority C.1 in the 2019-2022 Strategic Plan –
“Develop an Affordable Housing Policy.”

Resolution GG-320-19 “Arising out of the delegation on the Affordable Housing Task Force: That Council receive the delegation from the Clarington Taskforce on Affordable Housing and ask that their finding and recommendations be submitted to staff for the development of an Affordable Housing Strategy and Toolkit. That an update from staff be provided in October, pending Bill 108 regulations, with a draft Toolkit outlining potential options for the Clarington Affordable Housing Taskforce to consider. That a draft of the toolkit be provided to the Clarington Affordable Housing Taskforce in order to provide input and comment.

State of the Clarington Housing Market

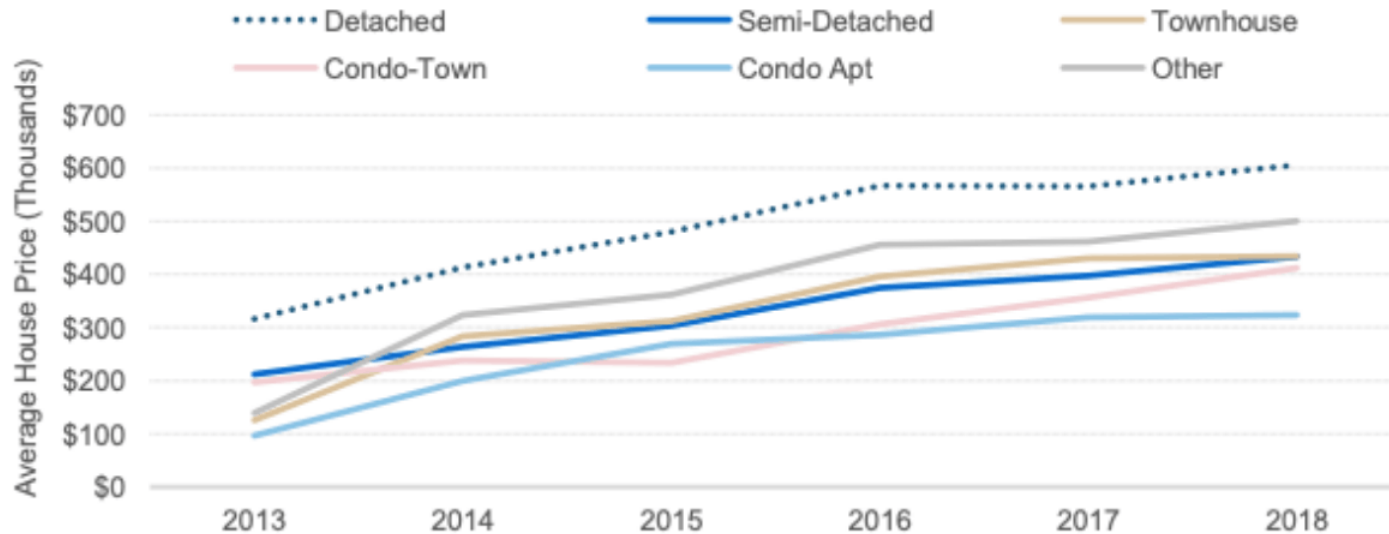


Figure 16: Average House Price in Clarington by Type, 2013-2018

State of the Clarington Housing Market

Table 5: Average House Price in Clarington's Urban & Rural Areas by Type, 2018⁷

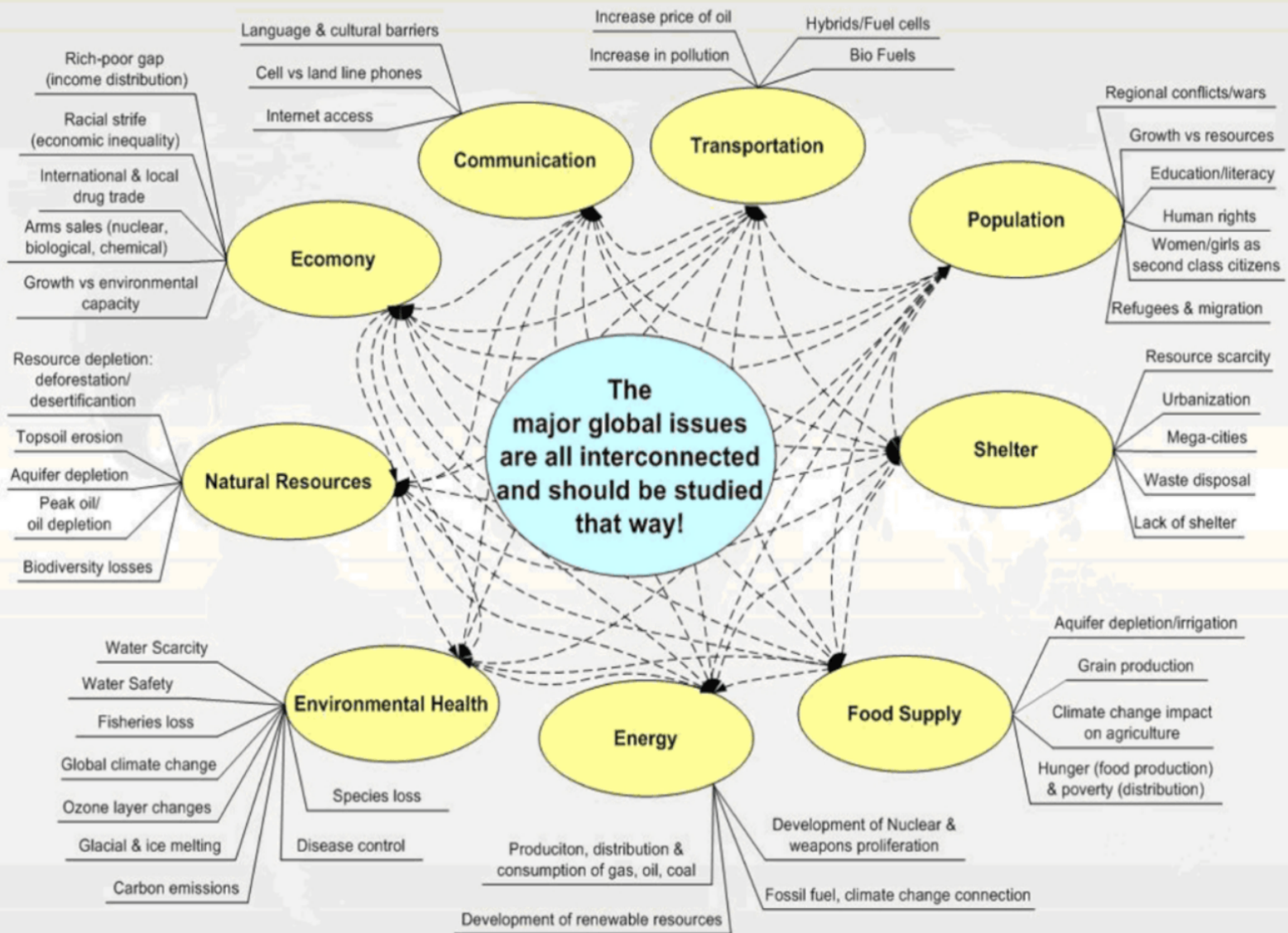
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What do we
know?



Financing and Economics of Affordable Housing Developments

Purpose Built Rentals

The University of Toronto Cities Centre published a report that examined the feasibility of private sector investment in purpose-built rental accommodation in a research paper entitled, "The Financing & Economics of Affordable Housing Development: Incentives and Disincentives to Private Sector Participation." The author, Jill Black, outlines the complexity surrounding the development of such affordable rental projects. It is clear from the financial models and pro-forma statements that without substantial subsidies the math simply does not add up.



What Does Affordable Mean?



THE HOUSING CONTINUUM





What Does Affordable Mean?

- Lack of consensus amongst levels of government and advocacy groups
- Region of Durham, Affordable Housing Program - AHP and Investment in Affordable Housing for Ontario IAH have consensus: 80% of Average Market Rent
- SIF is 80% of average market rent and CMHC Co-investment is 80% of median market rent.



CMHC - Affordability Thresholds in Durham Region (80%
of Average Market Rent)



Based upon 2018 calculations, Clarington has the following AMR designations (net 20%):

- Allowable rent for Bachelor apartments (\$656 per month)
- Allowable rent for 1 Bedroom apartment (\$826 per month)
- Allowable rent for 2 Bedroom apartment (\$935 per month)
- Allowable average rent for 3 Bedroom apartment (\$1,044 per month)



Knowing This How Can We Do Our
Part to Bridge the Gap?

What can Clarington do to incentivize change?



Municipal Regulatory and
Process Tools



Land Based Incentives



Financial Incentives



Municipal Regulatory and Process Tools



Expedited Approvals Process

This tool has been a component of affordable housing strategies in a number of areas including the City of Toronto and the City of Saskatoon. The utility of this tool is that it provides a fast-tracking process which can reduce the costs associated with holding undeveloped land, reduce development risk, and allow construction to begin sooner (lowering financing costs).

Example:

Clarington (Priority Application Status)



Application Assistance - Community Outreach

Providing developers, not-for-profits and other interested parties with up-to-date information around affordable housing and the process to access potential government incentives. Much of this is an educational piece, which could extend further to the general public to explain what affordable housing is and how the community is supporting it. Linking Transit Oriented Development to affordable housing around the proposed Courtice and Bowmanville GO Train sites is another key component.

Examples:

Region of Durham has a database with relevant resources for housing providers.

City of Mississauga (public education and outreach to explain to community how secondary suites work and the role they play in helping alleviate the affordability crisis).



Reduction in Parking Requirements

Providing parking increases the cost of development. A reduction of parking requirements could further facilitate pedestrian-friendly and transit-supportive communities.



Secondary Suites (Incentivize and Reduce Barriers)

Within Bill 108, the Ontario Government made it clear that they believe secondary suites are a key part of the affordable housing solution. There are a number of advantages and disadvantages to this solution. SHS Consulting listed a number of those out for the City of Kawartha Lakes and County of Haliburton in a recent study.

Example:

The Municipality of Clarington provides a development charge exemption for the creation of one additional unit (apartment-in-house) in a single detached dwelling, semi-detached building or townhouse dwelling where the gross floor area of the additional unit does not exceed the original gross floor area of the existing dwelling.

Advantages

- 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

Disadvantages

- 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



Permitting Garden Suites

Section 39.1 A one-unit detached residential structure containing bathroom and kitchen facilities that is ancillary to an existing residential structure and that is designed to be portable. 2002, c. 17, Sched. B, s. 12.

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.

Example:

The Draft Zoning By-law released in November 2018 for the rural portion of Clarington proposes to permit a secondary apartment dwelling on a rural residential property as well as Agriculturally zoned parcels within the existing dwelling or detached garage.



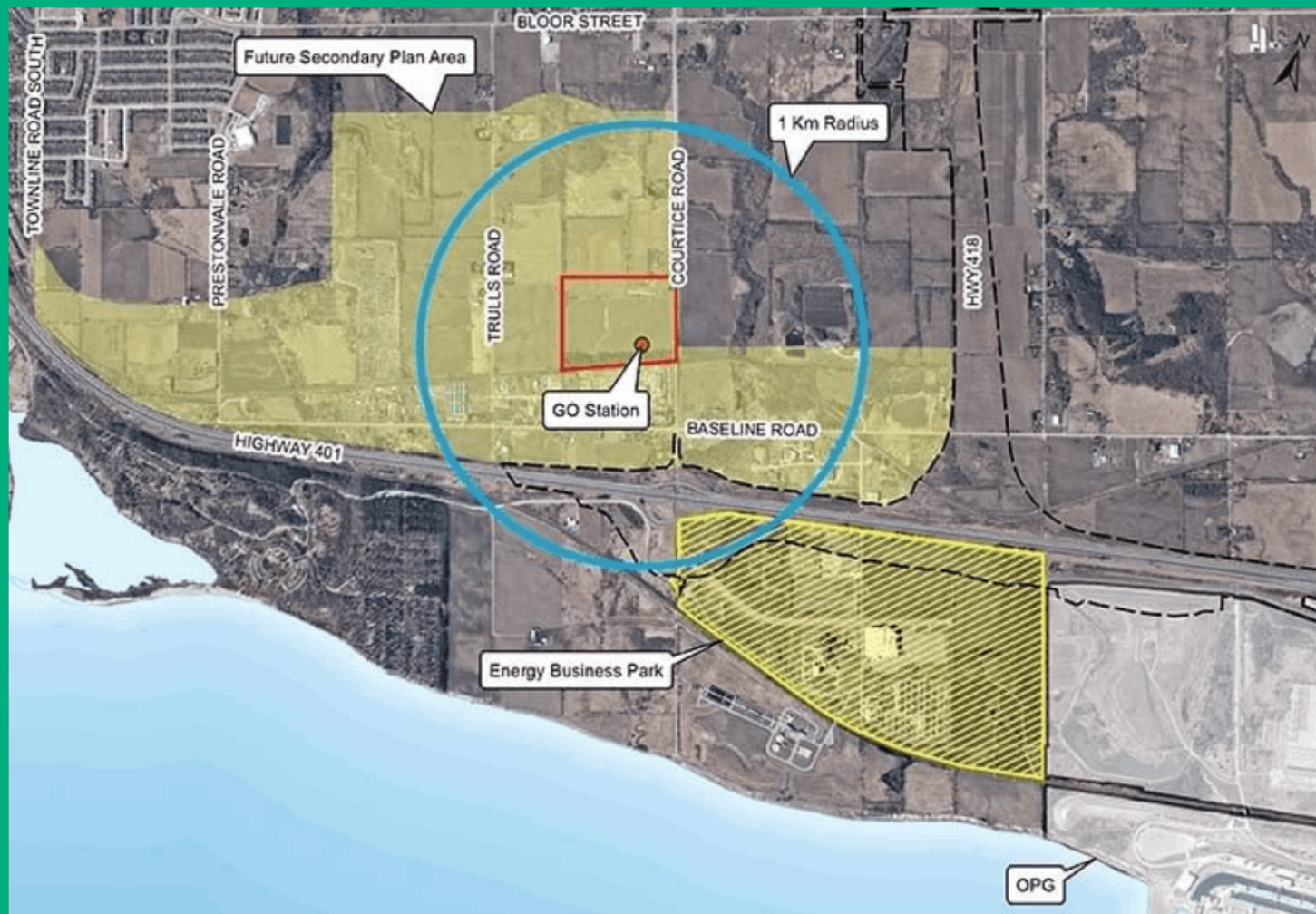
Inclusionary Zoning

Planning tool that calls for a required number of affordable units to be built within a specific area. This powers of this tool have been amended and restricted only to Major Transit Station Areas (MTSA). They also require upper-tier inclusion in the Official Plan.

Despite not having approved stations or inclusion in the appropriate planning documents, Inclusionary Zoning could be explored in MTSA's in Courtice and Bowmanville (Transportation hubs).

Mechanism to "Make it Happen", whereas enforcement of up to 30% affordable less clear.

Courtice



Bowmanville

Metrolinx Option 1, 2 & 4 – Constraints and Opportunities



Existing homes, approx. 2,230
= 6,228 people

Approved Residential
215 townhomes
1,065 apartments
= 2,512 people

Residential Applications
118 townhomes
= 302 people

Vacant Lands, 12.9 ha
= 1,936 people

TOTAL = 10,978 people



Land Based Incentives



Providing Land


In a high number of cases, affordable housing projects are able to be successful because the land is either gifted or provided at a below-market value. The Municipality has identified surplus land that could be designated for affordable usage, either through:

- a) Land lease
- b) Donation
- c) Sale (below market value)

Partnerships could be forged with other government entities to look at undertaking similar arrangements (school boards, Regional government, etc.)



Financial Incentives



Phasing, Deferring or Waiving Development Charges

By reducing the financial burden on the project it would free up cash to be spent elsewhere on the project. Even deferring or phasing the payments can be a great help.


Recent changes to the DC Act provides for longer payment terms

- 21 payments over 20 years for non-profit developments
- 6 payments over 5 years for rental housing (not non-profit)

The opportunity exists in 2020 when updating Clarington's DC by-law to consider other DC incentives.

Example:

Clarington has entered into agreements to defer collection of Development Charges (e.g. Parkview).



Phasing, Deferring or Waiving Development Application Fees

By reducing the financial burden on the project it would free up cash to be spent elsewhere on the project. Even deferring or phasing the payments can be a great help.

Example:

Clarington offers a 50% reduction for not-for-profit and registered charitable organizations (e.g. Parkview).



Waive Security Requirements

Builders are required to put up funds to meet security requirements under development agreements. In Newcastle, Parkview Lodge was required to put up thousands of dollars to secure servicing costs. The Municipality waived that requirement.



Property Tax Rate Rebate

In order to qualify for the affordable housing fund under the SIF-IAH Program, the host municipality must set the property tax rate at that of residential, not multi-residential. This is in the form of an annual rebate of taxes paid.

Example:

Clarington Council utilized this tool to assist Parkview Lodge by employing a rebate (from multi-residential to residential). This rebate has a 20 year term, provided that the project remains an eligible affordable housing project. The forgone revenue is \$4,055/year in 2019 dollars.



Community Benefit Charges

Background

The new provincial act "Bill 108: More Homes, More Choices Act" will remove soft services (Parks, Recreation, Library and Planning Studies) from development charges and move these services to a Community Benefit Charge (CBC). The implication of this change is not yet known, as the regulations of the Act have not been released. It is anticipated that the regulations will be released in October.



Community Benefit Charges

Exemptions from community benefits (Proposed Regulations)

Proposed content

The Minister is proposing that the following types of developments be exempt from charges for community benefits under the Planning Act:

- Long-term care homes
- Retirement homes
- Universities and colleges
- Memorial homes, clubhouses or athletic grounds of the Royal Canadian Legion
- Hospices
- Non-profit housing

Affordable Housing Community Improvement Plan

City of Cambridge

The Affordable Housing Community Improvement Plan (CIP) is a program implemented by the City of Cambridge to minimize the financial barriers to the creation of affordable housing projects by introducing incentive-based programs. The Affordable Housing CIP was adopted by Council on November 15th, 2016 and offers eligible projects exemption from municipal fees including planning application, building permit and sign permit fees; deferral of development charges and Tax Incremental Grants.



A landscape photograph showing a vast green field in the foreground, a line of trees on the horizon, and a sky with soft, warm light from a low sun. The top of the image is framed by the dark, leafy branches of a tree. The text "Other Initiatives on the Horizon" is centered in the middle of the image.

Other Initiatives on the Horizon



Tiny Homes



What has success looked
like?



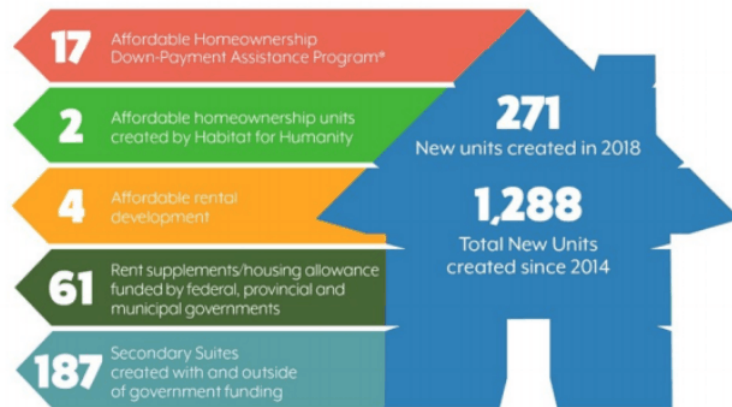
10-Year Affordable Housing and Homelessness Prevention Strategy

Suggested Municipal Tools to Incentivize Affordable Housing:

- 100% Development Charge Relief
- 100% Property Tax Incentives
- 100% Waived Planning and Building Fees
- Reduced/Waived Parkland Dedication Requirements
- Reduced Parking Requirements
- Dedicated Project Manager/Fast Track Approval System
- Pre-zoned Areas (Flexible Zoning)
- Surplus Land (Pre-Approved)
- Economical Built Forms
- Capital Funding
- Promotion of Inclusionary Zoning



10-Year Affordable Housing and Homelessness Prevention Strategy



**Including Down-Payment Assistance Completions by OAHS*



Summary of What We Have Done

- Priority Application Process
- Secondary Suite Support
- Development Charge Deferral
- 50% Reduction of Development Application Fee Costs
- Waive Security Requirements
- Property Tax Rate Rebate



The Bottom Line...