

Affordable Housing

Peel 2041 Background Paper

September 2017



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Executive Summary

The purpose of this paper is to provide evidence for a proposed policy amendment to the Regional Official Plan (ROP) related to the provision of affordable housing. This includes addressing specific direction within the *Planning Act* changes as a result of Bill 140: *Strong Communities through Affordable Housing Act*, *Accessibility for Ontarians with Disabilities Act (AODA)* and Bill 7: *Promoting Affordable Housing Act*; execution of Council’s September 11, 2014 resolution (Resolution 2014-721) regarding securing affordable housing through the development planning process; and, implementation of the Provincially mandated Regional Official Plan (ROP) Annual Minimum New Housing Unit Targets.

Background

This paper builds on the previous 2010 Regional Housing Strategy which included a comprehensive housing amendment to the Regional Official Plan (ROP). In addition, as a result of the *Strong Communities through Affordable Housing Act, 2011*, this paper recommends introducing policies permitting second units in single-detached dwellings, semi-detached dwellings, row-house dwellings and buildings or structures ancillary to dwellings. As well, minor accessibility-related changes to housing policies will be made to ensure alignment to the AODA, 2005. Recommended policy directions resulting from this paper will be considered as part of the current Peel 2041 Regional Official Plan Review, Housing Regional Official Plan Amendment (ROPA) process.

Bill 7 enables municipalities to require developers to provide affordable housing (units or gross floor area) in development projects and ensure affordability over time, known as inclusionary zoning. This planning tool is seen as an opportunity to provide Regional directive policy which can provide a level of consistency and fairness across Peel. Also, given the Region’s role as Service Manager, we are better equipped to support local inclusionary zoning programs through providing implementation assistance and consider measures and incentives.

The September 2014 Council resolution also illustrates a linkage to inclusionary zoning. Please see below resolution.

That all greenfield developments in The Regional Municipality of Peel shall require the developer to transfer a minimum of two acres of serviced land clear of encumbrances at the time of registration of the plan of subdivision for the purposes of social housing;

And further, that of the two acres, one acre shall be transferred to Habitat for Humanity for their purposes;

And further, that this be referred to staff to see how this can be implemented depending on the size of the development;

And further, that a policy be developed for urban areas.

Based on this direction, staff see potential in utilizing the planning approvals process (through section 51 of the *Planning Act*) to secure affordable housing. The planning process can potentially be utilized to secure or set aside affordable housing sites (through the secondary plan or subdivision process). When a planning process is underway, a municipality or agency could provide specific input to demonstrate an affordable housing site is necessary and desirable, in accordance with PPS and municipal policies. If an affordable housing site is appropriate, this can be reflected into the community plans and in the draft plan of subdivision and a requirement to provide an affordable housing site would be included as a condition of approval. The process for securing these sites may be similar to the planning, acquisition and disposition of school sites. Once the site is identified in the plan of subdivision, arrangements can be made with the Region of Peel or other affordable housing provider to acquire the land prior to the registration of the subdivision.

Results of Measurement and Monitoring of New and Total Housing Stock in Peel

The Provincial Policy Statement 2014 requires Regions to establish and implement annual minimum new housing unit targets. The ROP currently requires the Region and the local municipalities to implement and monitor annual minimum new housing unit targets. Regional staff has undertaken leading-edge research, conducted rigorous technical analysis using various data sources, with the objective of establishing and executing a methodology to be implemented on an annual basis to monitor new housing units in Peel against the targets within the ROP. The results of the measurement and monitoring of new annual and total housing stock in Peel have resulted in detailed analysis illustrating that low to moderate income households are facing a significant challenge in finding affordable housing. There is greater potential to strengthen ROP policy to implement and progress towards meeting these targets.

Legislative and Policy Framework – Tools

There are several land use planning and financial tools available to municipalities to encourage the provision of affordable housing. These tools stem from current statutory authorities granted under the *Planning Act* and supported by the Provincial Policy Statement (PPS). For the purposes of increasing the affordable housing stock, the paper reviews select policy tools available through authorities within the *Planning Act* such as section 37 (density bonusing), section 34 and 41 (Development Permit System) and section 51 (subdivision of land), to provide an understanding of potential tools that can be better utilized. Also, given the passing of Bill 7: *Promoting Affordable Housing Act, 2016*, the paper provides a more in-depth overview of inclusionary zoning best practices. Further, the paper includes a review of a few financial tools to encourage affordable housing, for example development charges and municipal capital facilities agreements.

Case Studies

The paper provides relevant case studies that utilize many of the tools reviewed in the previous section. The intent is to gain an understanding of best practices, lessons learned and how tools are currently being utilized in other municipalities that are facing similar affordable housing challenges and fiscal constraints. This section highlights case studies for the City of Toronto, York Region and City of Ottawa. The case studies suggest that in order to make a significant impact on the provision of affordable housing, creative solutions are required.

Analysis and Policy Recommendations

The proposed housing policy directions were developed based on exploration of legislative and policy tools available, research on case studies and inclusionary zoning best practices research. The paper concludes with analysis and recommended policies including directions for a inclusionary zoning framework in Peel, requiring an affordable housing assessment be undertaken as part of the development planning process and better utilizing planning tools to encourage affordable housing. It is expected this policy direction will positively influence affordability as it would provide deliberate consideration to increasing affordable housing, ensure comprehensive dialogue and proactive planning for it to increase affordable housing. For example, an affordable housing assessment may result in an improved range and mix of housing unit types, densities, sizes, tenures and possibly the identification of an approach to securing affordable housing sites. Please consider the following policy directions:

Therefore, it is recommended that new and updated policies be included in the Regional Official Plan related to the following draft housing directions:

- Recognize the relationship between affordable housing and public health within the ROP Section 5.8, Housing Preamble.
- Better align policy language to second unit permissions within Bill 140: Strong Communities through Affordable Housing Act, 2011. This will reflect current implementation efforts by local municipal partners.
- Technical changes to reflect accessibility within the existing housing policies.
- Require local municipalities to include policies for the provision of affordable housing in new or revised local municipal official plans for individual residential communities addressing the following.
 - contribution towards the achievement of affordable housing unit targets;
 - an appropriate range and mix of housing types, densities, sizes and tenure that contribute to the supply of affordable housing; and,
 - identification and conveyance strategy for affordable housing sites, in consultation with the Region.
- Require the local municipalities to include density bonusing provisions for affordable housing and develop associated implementation guidelines and protocols.
- Encourage the use of development permit system policies in local municipal Official Plans for affordable housing purposes.

- Require the local municipalities to implement inclusionary zoning for residential developments (OP policy and zoning framework), with the intent of securing housing to be maintained as affordable over time.
- Address the Region's role in supporting the local municipalities in implementing an inclusionary zoning framework (i.e. planning, financial and process-related measures and incentives, implementation and administration. (Note: It is expected that Bill 7 regulations will be released shortly and additional policy directions and refinements will be considered at that time.

1. Background

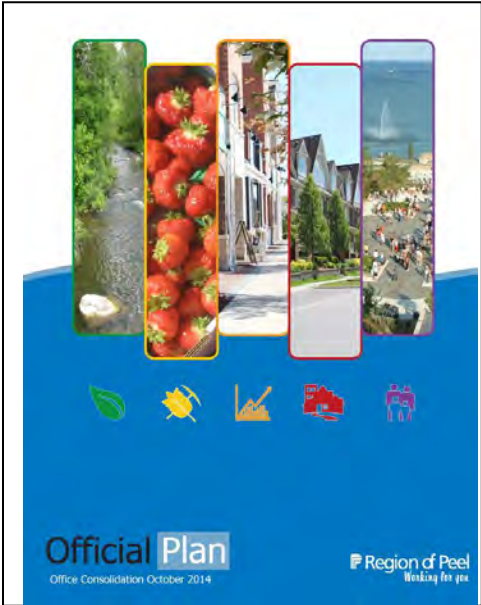
The housing needs of Peel’s community are complex and continue to evolve. For example, in 2016 there were 12,958 households on the Region of Peel’s wait list for subsidized housing and the wait list has remained relatively stable over the last ten years. Regional Council has placed priority on increasing the supply of affordable housing. For example, a priority resulting from implementation of the Strategic Plan 2015-2035 is the ‘Increasing Affordable Housing Term of Council Priority’ (ToCP). In addition, housing was approved as a focus area as part of the current Peel 2041: Regional Official Plan Review. The Region of Peel is also currently working towards implementation of the 10-year Peel Housing and Homelessness Plan (PHHP). This work has linkages to a number of other disciplines including Public Health.

Regional Official Plan (ROP) – Housing

The ROP is a long-term regional strategic policy document that is required by Provincial legislation (the *Ontario Planning Act*). This policy framework guides growth and development in Peel while protecting the environment, managing regional services and supporting healthy communities.

The current ROP has a strong policy context in the area of housing, which stems from the 2010 Regional Housing Strategy. The strategy resulted in Regional Official Plan Amendment (ROPA) 23 addressing the following four major goals:

- Adequate and diverse housing supply;
- Affordable housing supply;
- Housing access and options for diverse and special needs groups; and
- Sustainable, compact, complete communities.



The above has resulted in a comprehensive housing policy context documented within the ROP, which provides a plan for meeting the full range of housing needs across the continuum. The recommendations outlined in this Background Paper are aimed at strengthening the policy context, to fully utilize planning tools with an aim to increasing the supply of affordable housing.

Peel 2041: Regional Official Plan Review

The Region of Peel is currently undertaking a five-year review (entitled 'Peel 2041'), as mandated by the *Ontario Planning Act*.

Housing is one of the focus areas within the Peel 2041 Regional Official Plan Review work program and this discussion is also intended to inform the housing policy direction for the Official Plan review. The current Regional Official Plan Review is a vehicle to provide a response and recommended direction to Provincial policy, legislation, Regional Council direction, and detailed analysis of data and evidence on housing stock in Peel.

It is anticipated that a draft Regional Official Plan Amendment (ROPA) will be introduced in 2018 for formal process under the *Ontario Planning Act*.



ROPA– Housing Focus Area

Second Unit Policies

In November 2010, the Province released the Long-term Affordable Housing Strategy (LTHAS) and related legislation, the Housing Services Act, 2011. In order to implement the LTHAS, the Province released Bill 140: the *Strong Communities through Affordable Housing Act*, 2011. This legislation makes amendments to several acts including the *Ontario Planning Act*. The Peel 2041 housing focus area will address amendments to the *Planning Act* resulting from Bill 140. As per the *Act*, municipalities are required to ensure that Official Plan policies and zoning by-laws permit second units in single-detached, semi-detached, and row-house dwellings and buildings or structures ancillary to dwellings. Regional staff has developed draft policies for this item in collaboration with local municipal partners.

ROPA policies will reflect permitting second units in single-detached, semi-detached, and row-house dwellings and buildings or structures ancillary to dwellings will be included. Regional staff has been supporting the local municipalities' second units work including official plan conformity work. Given the low vacancy rate in rental housing (1.4 percent in 2016), second units provides another option for rental housing. Many of these units are below the affordable housing threshold.

Housing Accessibility Policy Changes

Additionally, these housing policy changes identified aim to address accessibility. The *Accessibility for Ontarians with Disabilities Act* (AODA) became law on June 13, 2005, and while there is no requirement prescribing municipal official plans to be amended to specifically reflect regulations issued under AODA, the *Planning Act* lists accessibility as a matter of provincial interest. Building on existing accessibility-related policies in the Regional Official Plan, minor changes have been suggested to add references to accessibility to ensure technical clarity.

Inclusionary Zoning Policies

In order to implement the Long-term Affordable Housing Strategy (LTAHS), on May 2016 the Province released draft Bill 204: *Promoting Affordable Housing Act* for comment. Most recently, this legislation was reintroduced as Bill 7 and received Royal Assent on December 8, 2016. This Bill makes changes to several Acts including the *Development Charges Act, 1997* and *Ontario Planning Act*. Although the draft Housing ROPA will focus on implications of Bill 7 emanating from the *Ontario Planning Act* changes, it should be noted that this legislation has resulted in changes to the *Development Charges Act* so that municipalities are prohibited from imposing development charges for secondary suites in new homes. The *Planning Act* changes enable municipalities to require affordable housing units or the gross floor area to be occupied by affordable housing to be provided in new residential development projects and to ensure affordability over time (known as inclusionary zoning). In terms of Bill 7 next steps, there will be an opportunity to provide input on the proposed *Ontario Planning Act* regulations, expected in 2017.

September 11, 2014 Regional Council Resolution

In addition, the draft Housing ROPA will provide an opportunity to respond to the September 11, 2014 Council resolution (Resolution 2014-721) and addresses policy directions for an inclusionary zoning policy. The September 2014 Council resolution also illustrates a linkage to inclusionary zoning. Please see below resolution.

That all greenfield developments in The Regional Municipality of Peel shall require the developer to transfer a minimum of two acres of serviced land clear of encumbrances at the time of registration of the plan of subdivision for the purposes of social housing;

And further, that of the two acres, one acre shall be transferred to Habitat for Humanity for their purposes;

And further, that this be referred to staff to see how this can be implemented depending on the size of the development;

And further, that a policy be developed for urban areas.

Implementation of Regional Official Plan Minimum New Housing Unit Targets

The Provincial Policy Statement 2014 requires Regions to establish and implement annual minimum new housing unit targets. In 2009, the ROP was amended to incorporate the housing targets and related policies based on input from the Regional Housing Strategy and consultation with the local

municipalities. The ROP currently requires the Region and the local municipalities to implement and monitor annual minimum new housing unit targets as identified through Table 4 and Figure 17.

Regional staff has undertaken leading-edge research, conducted rigorous technical analysis using various data sources, with the objective of establishing and executing a methodology to be implemented on an annual basis to monitor new housing units in Peel against the targets within the ROP. The results of the measurement and monitoring of new and total housing stock in Peel have resulted in an establishment of affordable housing thresholds (the maximum a household in the low to moderate income categories can afford to pay to buy or rent a home in a given year); detailed analysis of new housing units being added annually to the stock; and, technical analysis of the total supply of units in the market including rental housing. Please refer to chapter 5 for results of this analysis. Specific policy directions are considered as part of this Background Paper to address the results of measurement and monitoring of new and total housing stock in Peel and this will shape the contents of a future draft Housing ROPA.

Peel Housing and Homelessness Plan (PHHP)

The Province released the LTAHS in an effort to transform Ontario's housing system. The *Housing Services Act, 2011* (HSA) came into force on January 1, 2012 and repealed the *Social Housing Reform Act, 2000*. The HSA streamlined the administration of affordable housing for Service Managers in Ontario. A key component of the HSA required Service Managers to develop local housing and homelessness plans.

In response, the Region of Peel approved the Peel's Housing and Homelessness Plan (PHHP) on November 28, 2013, which aims to set a strategic vision for the housing system over the next 10 years (2014-2024). The PHHP focuses on three objectives: 1) availability of housing stock, 2) increasing individuals' and families' capacity to retain and maintain homes and 3) creating an integrated system that people can navigate easily. Strategic actions from the PHHP that are relevant to this paper include the following: Increase the supply of housing options (1.1); Ensure supply of housing options with supports that address community needs (1.4); and, Ensure housing development contributes to mixed income and land use that promotes safe, prosperous, active, and healthy communities (1.5).

In May 2015, the Region of Peel provided a year one update on the community progress made towards achieving the PHHP objectives. This was followed by a year two update in July 2016. Through the Region's role as System Manager and the results from the PHHP, the following are some of the results identified within the year two update report:

- Effective management of the centralized wait list;
- In 2015, 813 individuals and families were assisted with rental utility arrears and this helped tenants avoid eviction or allowed them settlement in another residence
- In 2015, 104 families received down payment assistance grants through the Region's Home in Peel program
- In 2015, 11,715 supports were provided including 4,721 rent supplements
- In 2015, 40 condominium units were purchased providing an opportunity for more than 40 individuals to be housed from the centralized waitlist; and,

- In 2014, 103 applicants received assistance from the 'Peel Renovates Program' enabling assistance of up to \$15,000 per household to receive financing for major home repairs/accessibility renovations.

Regional staff is currently working to continue to implement the strategic actions within the PPHP and one way to contribute towards meeting PPHP objectives is through addressing housing planning policy.

Ontario's Fair Housing Plan

On April 20, 2017, the Province announced 'Ontario's Fair Housing Plan' which is a package of about 16 measures to help address housing affordability in Ontario. The plan includes measures associated with: addressing the demand for housing; protecting renters; increasing housing supply; and other actions to protect homebuyers and increase information sharing. Highlights of measures include:

- the introduction of a 15 percent Non-Residential Speculation Tax (NRST) on foreign home buyers;
- expanding rent control to all private rental units;
- empowering municipalities to introduce a tax on vacant homes;
- ensuring property tax on multi-residential buildings are at a similar rate as other residential properties;
- introducing \$125 million through a five-year program to encourage new rental apartment buildings by providing a rebate on a portion of the associated development charges;
- providing municipalities with flexibility to utilize property tax tools to impose a higher tax on vacant land that has been approved for new housing development;
- establishing a Provincial Housing Supply Team to facilitating affordable housing development and streamline the development approvals process; and,
- work with municipalities to update the Growth Plan for the Greater Golden Horseshoe.

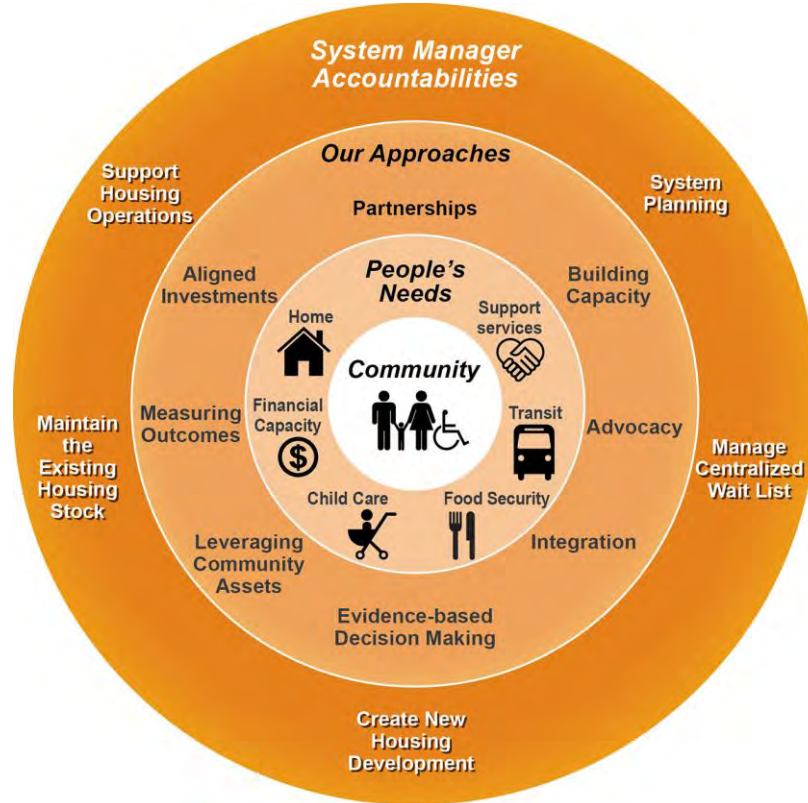
Regional staff is currently reviewing these measures to consider implications and opportunities for additional affordable housing in Peel.

Region of Peel as System Manager for Housing

It is important to recognize that since 2001 the Region of Peel has been the Service System Manager for housing, the Region is accountable for planning and supporting a housing system that is people-centred, recognizes the needs of individuals, families and the community and, is based on partnerships and supported through innovative solutions. As such, the System Manager accountabilities include:

- System Planning;
- Centralized Wait List;
- Asset Sustainability;
- Operational Viability; and
- New Housing Development

The Region and system partners work collaboratively to provide housing and homelessness prevention programs and services and develop new affordable housing options. Further, housing and its affordability are closely connected with other systems such as child care, transit, supports services etc. This is illustrated by the accountabilities and approaches graphic on the following page.



The Region has been working on various fronts to meet the housing needs of current and future residents; one way to do this is through strengthening a housing planning policy framework to enable the increased supply of affordable housing.

Affordable Housing and Public Health

There are a number of linkages or connections between affordable housing and other disciplines such as Public Health. Peel Public Health is mandated by the Ontario Public Health Standards (OPHS) to protect and promote the health of the population by addressing the determinants of health, such as housing. Affordable housing is also central to Peel Public Health’s goal of reducing disparities in health status within the population, as identified in Peel Public Health’s *10-Year Strategic Plan*. An adequate supply of quality housing that is located within healthy, complete communities will optimize the health promoting potential of affordable housing.

Adequate Supply of Affordable Housing and Health

An inadequate supply of affordable housing can limit a household’s ability to maintain suitable shelter and their capacity to afford basic health needs, such as food. In general, health disparities increase when

conditions such as unaffordable housing and poverty coexist. For example, when households have very little disposable income, after contributing to housing costs, they are at an increased risk for food insecurity (not having access to quantity and variety of food). Also, unstable, inadequate, and unaffordable housing is associated with emotional and learning problems among children and youth. In addition, access to affordable housing can improve the health of vulnerable residents, such as the chronically ill, seniors, individuals experiencing mental health problems, and individuals who are homeless.

The Quality of Affordable Housing and Health

The quality of housing is important from a health perspective. Health can be negatively impacted by housing conditions in which there is exposure to dangerous chemicals (i.e. lead, asbestos, radon, volatile organic compounds) and infestation or a lack of adequate heating or cooling. These housing conditions are associated with an increased risk of various cancers and harms to the brain, nervous system, blood system, and kidneys. In addition, various household physical characteristics, such as improper dimensions for stairwells or unsecure apartment windows in high floors, can increase the risk of falls among children and seniors.

Unaffordable housing can force families to live in unsuitable and overcrowded conditions. Suitable housing that have enough bedrooms for the size and make-up of a household is important to accommodate families with children, and to support seniors living with relatives. There is an association between overcrowding and health conditions, such as infectious diseases. Overcrowding may also be associated with poor child mental health, and social and emotional development.

The quality of building design can also promote health. The Region of Peel's *Affordable Housing Active Design Guidelines and Standards* identify indoor building design features that can support physical activity. Examples include the visibility, appeal and location of stairwells, the provision of recreation indoor common areas for adults and children, and bicycle parking. Communal cooking, eating areas and community gardens also promote healthy eating.

Affordable Housing within Healthy Complete Communities

A healthy, complete community is intended to meet most residents' basic needs on a daily basis within walking distance, as well as convenient access to public transportation, and options for safe non-motorized travel. Locating affordable housing within healthy, complete communities is important to promote the health of residents. Healthy, complete communities provide options for employment, mobility, and convenient access to healthy food, social services and recreation, as identified in the Region of Peel's *Healthy Development Assessment and Affordable Housing Design Guidelines and Standards*. This is especially important for the needs of seniors, a growing segment of the population.

Also, locating affordable housing away from high-volume traffic roads and highways is encouraged. The health risks of exposure to poor air quality, as well as noise are well established. Residential proximity to high-volume roads and highways exposes individuals to higher levels of noise and air pollutants. Given the number of major roads and highways in Peel, Peel's population is widely exposed to air pollutants

from traffic-related sources. In 2014, the Medical Officers of Health in the Greater Toronto Area and Hamilton released a report entitled “*Improving Health by Design in the Greater Toronto-Hamilton Area*”. The report states that 50 percent of Peel residents live within 300 metres of a high-volume traffic road/highway (>25,000 vehicles per day).

An adequate supply of good quality affordable housing within healthy, complete communities will contribute to the health of Peel’s residents. The draft policy directions within this discussion paper will increase affordable housing options and promote healthy and age-friendly built environments. Promoting quality affordable housing within healthy, complete communities also aligns with Peel Public Health’s ongoing work with municipalities to support healthy built environments and reduce health disparities.

2. Purpose

The previous review of the Regional Official Plan entitled 'Peel Region Official Plan Review' (PROPR) included housing policy updates to implement recommendations from the 2010 Regional Housing Strategy. In 2009, Regional Official Plan Amendment (ROPA) 23 resulted in comprehensive policy updates to the housing policies in Section 5.8 of the ROP. New subject areas were introduced including:

- Supply of Affordable Rental and Ownership Housing;
- Retention of Existing Housing Stock;
- Energy Efficient Housing;
- Housing Options for Persons with Special Needs and Diverse Population;
- Barriers to Access Housing; and
- Affordable Housing Targets for Affordable Ownership and Rental Housing.

The housing policy updates were made as a result of detailed research and analysis. The process involved the development of several background and discussion papers including the following, which resulted in the development of the 2010 Regional Housing Strategy:

- Housing Availability Throughout the Lifecycle Discussion Paper
- Diversity of Housing Needs Discussion Paper
- Housing Affordability Discussion Paper
- Tools and Practices to Address Housing Issues Background Paper

The current Peel 2041 housing focus area involves proposing policies with the key objective of increasing the supply of affordable housing. This focus area aims to address the following drivers: *Planning Act* changes resulting from the Strong Communities through Affordable Housing Act, 2011 (Bill 140), *Accessibility for Ontarians with Disabilities Act (AODA)*, and the Promoting Affordable Housing Act, 2016 (Bill 7); execution of Council's September 11, 2014 resolution (Resolution 2014-721) and implementation of the Provincially mandated Regional Official Plan (OP) Annual Minimum New Housing Unit Targets.

In order to be consistent and implement Provincial legislation, policy and Peel Council direction this paper explores the affordable housing data, trends and results of the measurement and monitoring of new annual and total housing stock in Peel including second units estimation analysis, legislative and policy framework (tools available), research on best practices and case studies, and analysis and draft housing policy directions to be considered in a future housing ROPA.

This discussion paper includes consideration for the following three perspectives:

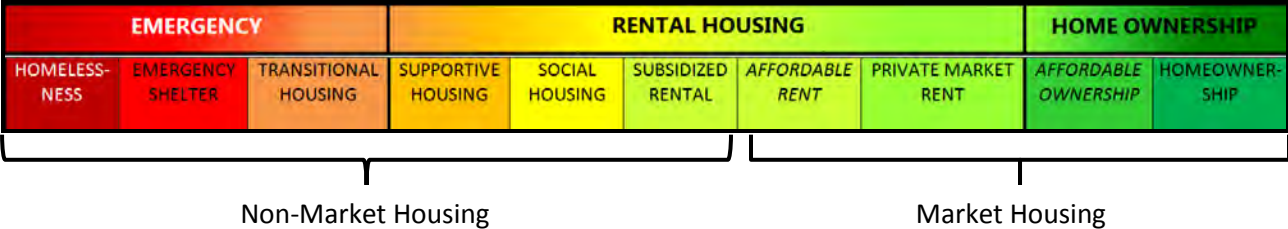
1. Current municipal authority to require mandatory provision of affordable housing;
2. Policy and incentive tools available to municipalities, including tools within and outside the *Ontario Planning Act*; and
3. The authority, procedure and process for securement and acquisition of public land through the planning process.

3. Terminology

It is important to establish a common understanding of the terminology utilized related to social housing, subsidized housing and affordable housing. For example, the Council resolution includes specific reference to transfer of land for ‘social housing’. As described below, this term can have specific meaning; however, staff has taken a general interpretation of this term to include discussion regarding a broad range of affordable housing.

Social Housing

The term ‘social housing’ is generally used in reference to housing assistance programs that were developed under federal and provincial policy instruments during a time of significant housing investment by senior levels of government during the 1950s and 1990s. During this time, senior levels of government were involved in delivering and funding social housing, sometimes also referred to as ‘public housing’ projects, through agreements between the federal and provincial governments and social housing providers. In 1993, the federal government announced that it would no longer fund any new social housing. In 1995, the provincial government cancelled the provincial housing program, but continued to make limited housing funding available. In 2000, all existing social housing units were handed down to municipal Service Managers across the province through devolution (the decentralisation of the funding and administration for existing social housing) and this was legislated through the Social Housing Reform Act (SHRA). In 2010, the Provincial Long Term Affordable Housing Strategy broadens the scope of Service Managers from being responsible for not only social housing, but the broad housing continuum from preventing homelessness to ownership housing. Please refer to the housing continuum below. The accompanying Housing Services Act (HSA) required Service Managers to develop housing and homelessness plans.



Social housing units continue to exist and are maintained by Service Managers, such as the Region of Peel, but are no longer being developed due to changes in funding, administration and policy frameworks. As such, significant senior government on-going and long-term support of social housing activity has ended and been replaced by up-front capital contributions. Considering this context, social housing refers to housing that was delivered by senior levels of government in the past. The Region of Peel, as Service System Manager, only manages this aging social housing stock. Due to the fact that the federal and provincial governments have not funded the development of new housing through capital assistance and operating subsidies since the late 1990s, the term ‘social housing’ is no longer used when referencing new forms of subsidised housing stock. Consequently, social housing is often identified

separately from affordable housing within the housing continuum. However, the term 'subsidized housing' is used as a reference to affordable housing that is developed with some funding from public sources such as from the Region of Peel as the Service Provider.

Affordable Housing

The term 'affordable housing' encompasses a broader range of housing as it is more flexible and responsive to evolving administrative functions, funding models, market forces, and changing community and demographic needs. The Canada Mortgage and Housing Corporation (CMHC) provides a common basis to define housing that is considered affordable to households, "to be affordable, a household should not spend more than 30 percent of their gross income on shelter costs".

In the context of municipal planning policy, municipalities must be consistent with the PPS in their land use planning and development decisions related to housing. The definition in the PPS issued under section 3 of the *Planning Act* based on the commonly-used CMHC definition. More specifically, the PPS defines affordable housing as the following:

a) in the case of ownership housing, the least expensive of:

1. housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households; or
2. housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area;

b) in the case of rental housing, the least expensive of:

1. a unit for which the rent does not exceed 30 percent of gross annual household income for low and moderate income households; or
2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.

Affordable housing in the context of both the PPS and ROP policy is therefore a broader term which encompasses a range of housing types (both ownership and rental housing) that are affordable to 'low and moderate income households'. Low and moderate income households are those within the lowest 60 percent of the income distribution for the regional market area. A significant focus of the Service Manager has been on addressing needs of vulnerable or low income households (for rental housing it is households earning between \$0 to \$31,500 and for ownership housing it is households earning between \$0 to \$55,500). However, there may be potential to assist those within the moderate income category (for rental housing it would be for households earning \$31,500 to \$58,500 and for ownership housing it is for households earning \$55,500 to \$100,000). Please see these income levels illustrated on the following page.

Low, Moderate and High Income Thresholds (2015)

Ownership	Low										Medium					High					
Rental	Low										Medium					High					
\$0	\$5,000	\$10,000	\$15,000	\$20,000	\$25,000	\$30,000	\$35,000	\$40,000	\$45,000	\$50,000	\$55,000	\$60,000	\$65,000	\$70,000	\$75,000	\$80,000	\$85,000	\$90,000	\$95,000	\$100,000	\$100,000+

With low to moderate income households in mind, ‘affordable housing’ includes both low-cost ownership housing (i.e. townhouses or condominiums) and rental housing (i.e. rental units with or without government subsidies). The definition of affordable housing, reflected in PPS policies and as it exists in the ROP, allows for a variety of affordability options (beyond just social housing that is no longer developed). Using the term ‘affordable housing’ allows for an appropriate range and mix of housing options to accommodate current and future housing needs of residents.

Changes in the Regional Official Plan

The Regional Official Plan (ROP) definition for ‘social housing’ is based on this past context and similarly refers to housing units provided under a variety of federal and provincial housing programs.

Social Housing (sometimes referred to as “assisted”, “subsidized” or “rent-geared-to income” housing): housing that is a sub-set of *affordable housing*. It refers to housing units provided under a variety of federal and provincial housing programs by the municipal non-profit housing corporation (Peel Living) and private non-profit and co-operative non-profit housing corporations. Residents in rent-geared-to-income units in social housing portfolios pay no more than 30% of their annual gross household income in rent. It also refers to housing units within the private rental sector, including the above *affordable housing*, where rent-geared-to-income subsidy is provided through a rent supplement agreement with the landlord.

Some outdated references exist in the current definition of ‘social housing’ in the ROP. First, it does not include private market affordable housing that may be eligible for funding under the more recent versions of the provincial/federal funding programs which would allow for the creation of new affordable housing units. The definition is also a reflection of the funding environment that was in place at the time the definition was developed and incorporated in the ROP. The ROP is intended to be a forward looking document, and the term social housing is referencing an outdated affordable housing funding structure. Finally, relevance to ‘assisted’ and ‘rent-geared-to-income’ housing would not fit into the same category as social housing along the housing continuum, as it is currently defined. Therefore, this definition is no longer relevant and is proposed to be deleted from the ROP through a ROPA, miscellaneous housekeeping changes. The few other instances where ‘social housing’ appears in the ROP will be replaced with ‘subsidised housing’. Subsidised housing acts as a broader term that describes the full range of affordable housing options, and does not require a definition since government subsidies and housing programs may change in the future. It should be noted that the term ‘affordable

housing', as described above, will continue to be reference in the ROP and maintain its current definition in accordance with provincial policy and legislation.

Given the specific nature of the term 'social housing', staff has included discussion regarding a broad range of affordable housing.

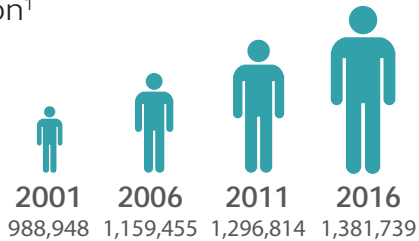
4

Peel Housing Snapshot data & trends

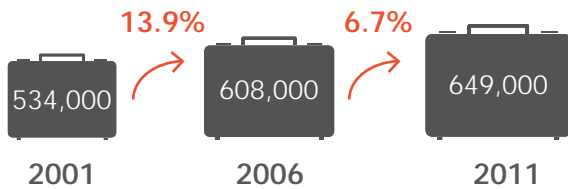
The Regional Council resolution aims to address the affordable housing issues faced by Peel residents. It is important to understand the challenging housing context and the drive to address affordable housing issues. As such, this section of the paper provides a housing snapshot of data and trends.

POPULATION & EMPLOYMENT

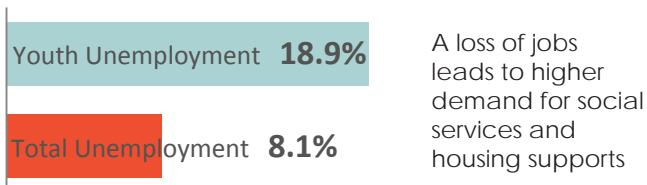
Population¹



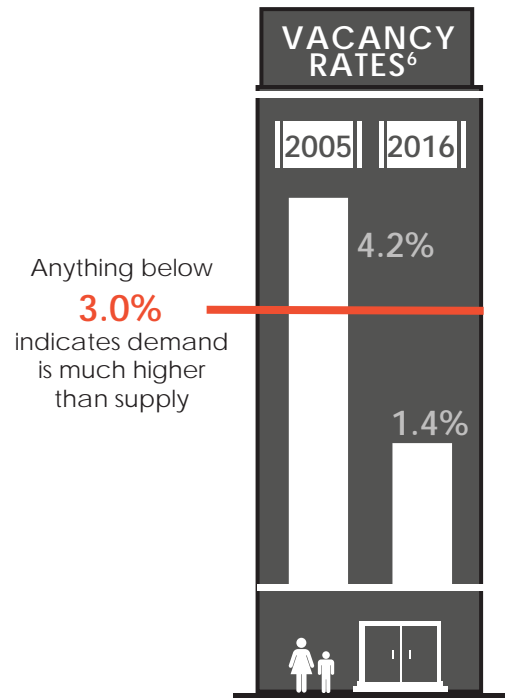
Employment Growth in Peel²



Peel Unemployment in 2014³



RENTAL HOUSING MARKET



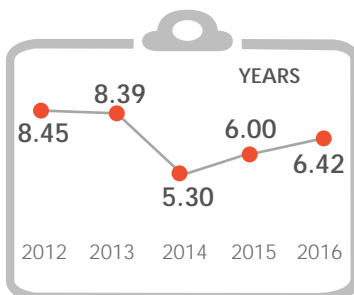
Only **1 in 20** private sector housing starts⁷ in 2014 were rental units, down from **2 in 20** in 2005



...but **1 in 5** Peel households rented, a ratio that has remained relatively constant over time⁸

SUBSIDIZED HOUSING & HOMELESSNESS

Average Wait Time for Subsidized Housing⁴



2016 Emergency Shelter Use⁵



In 2016, **12,958** households were on the **subsidized housing waitlist**

Notes

- ¹Values do not include the Census undercount
- ²Statistics Canada 2001/2006 Census; 2011 National Household Survey (NHS), values have been rounded to the nearest thousand
- ³Statistics Canada Labour Force Survey, custom data table (2014)
- ⁴Ontario Non-Profit Housing Association, Subsidized Housing Waitlist
- ⁵Peel Housing and Homelessness Plan - Year Three Update, Council Staff Report (July 6, 2017)
- ⁶CMHC GTA Rental Market Report, vacant unit in privately initiated structures with at least 3 rental units & on the market for at least 3 months
- ⁷CMHC Housing Market Tables- South Central Ontario, rental unit is a dwelling constructed for rental purposes, regardless of who finances it
- ⁸Statistics Canada 2001/2006 Census; 2011 NHS

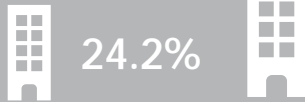
HOUSING AFFORDABILITY

2006 → 2016

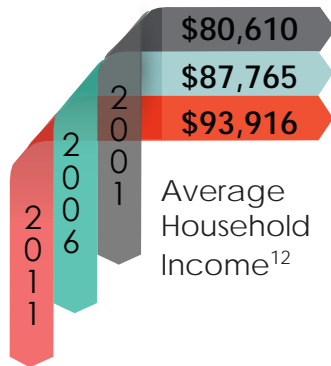
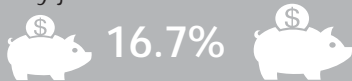
Average home price⁹ went up by



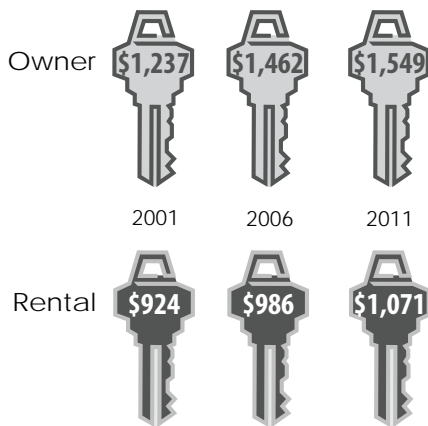
Average private apartment rent¹⁰ went up by



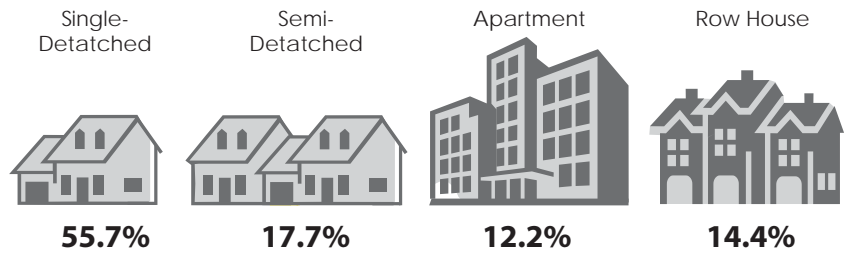
However, median hourly wage¹¹ rose by just



Average Monthly Housing Costs¹³

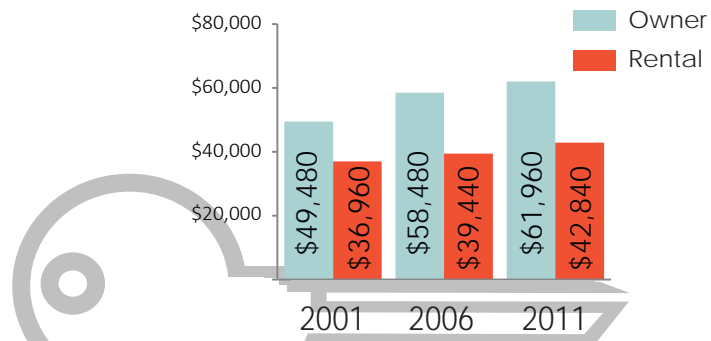


Housing by Structural Type of Dwelling, 2015¹⁴



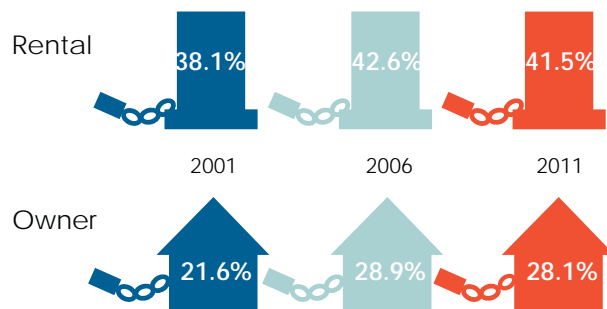
The average home price in Peel in 2016 was **\$616,277**¹⁵

Minimum annual average household income to own or rent the average home in Peel¹⁶



37% of Peel households had a household income less than \$60,000 in 2011¹⁷

Peel Households Spending 30% or more of Household Income on Shelter Costs¹⁸



Notes

-2011 National Household Survey (NHS) data are compared to the 2001/2006 Census for illustrative purposes

-All dollar values are in unadjusted, nominal dollars

-Indicators referencing 2011 NHS data will be updated in late 2017, once 2016 Census data is released.

^{9,15}Toronto Real Estate Board Market Watch, year end average price for all home types combined

¹⁰CMHC GTA Rental Market Report, private apartment average rents

¹¹Statistics Canada Labour Force Survey, custom data table (2012)

^{12,17}Statistics Canada 2001/2006 Census; 2011 NHS, gross income

^{13/18}Statistics Canada 2001/2006 Census; 2011 NHS

¹⁴Peel Region Housing Measuring & Monitoring Results (2015)

¹⁶Estimated using average monthly shelter costs for all home types from Census/NHS & 30% affordability threshold for portion of gross income spent on housing costs

5. Results of Measurement and Monitoring of Housing Stock in Peel

The Province requires upper tier municipalities to establish and implement annual minimum new housing unit targets (as per Provincial Policy Statement (PPS), 2014 and the Growth Plan for Greater Golden Horseshoe, 2006). Through the 2009 Regional Housing Strategy, the ROP was amended to incorporate annual minimum new housing unit targets (ROP Table 4 and Figure 17 as noted below). Furthermore, the ROP currently requires the Region and local municipalities to implement and monitor these targets.

Table 4 Annual Minimum New Housing Unit Targets in Peel

	Subsidized Housing	Affordable Rental	Market Rental & Affordable Ownership	Market Ownership
Peel	17%	3%	35%	45%

Figure 17 Annual Minimum New Housing Unit Targets By Area Municipality

	Subsidized Housing	Affordable Rental	Market Rental & Affordable Ownership	Market Ownership
Brampton	16%	3%	37%	44%
Mississauga	18%	3%	34%	45%
Caledon	11%	2%	28%	59%

Given the above, Regional staff has undertaken leading-edge research, conducted rigorous technical analysis using various data sources, with the objective of establishing and executing a methodology to be implemented on an annual basis to monitor new housing units in Peel against the targets within the ROP. The results of the measurement and monitoring of new and total housing stock in Peel have resulted in an establishment of affordable housing thresholds (the maximum a household in the low to moderate income categories can afford to pay to buy or rent a home in a given year); detailed analysis of new housing units being added annually to the stock; and, technical analysis of the total supply of units in the market including rental housing. The results of this work will contribute and inform various

objectives and outcomes of the Regional Housing Strategy, Peel Housing and Homelessness Plan (PHHP), current Term of Council Priority and will shape the contents of a future draft Housing ROPA.

AFFORDABILITY THRESHOLDS

The determination of upper housing affordability thresholds (the maximum a household in the low to moderate income categories can afford to pay to buy or rent a home in a given year) was a primary step in monitoring of achievement of affordable housing targets, and utilizing the PPS definition of affordable housing. The affordable housing thresholds were determined annually and by tenure. Based on income and market-based calculations, the following 2015 thresholds were utilized to: 1) monitor the achievement of new affordable housing targets (Table 4 and Figure 17 in the ROP) noted above; and, 2) understand the total housing supply in Peel. Please refer to the following information for 2015 Peel ownership and rental affordability thresholds.

- 2015 Ownership Unit Affordability Threshold - \$398,012 (income based)
- 2015 Rental Unit Affordability Threshold - \$1,175 per month (market based)

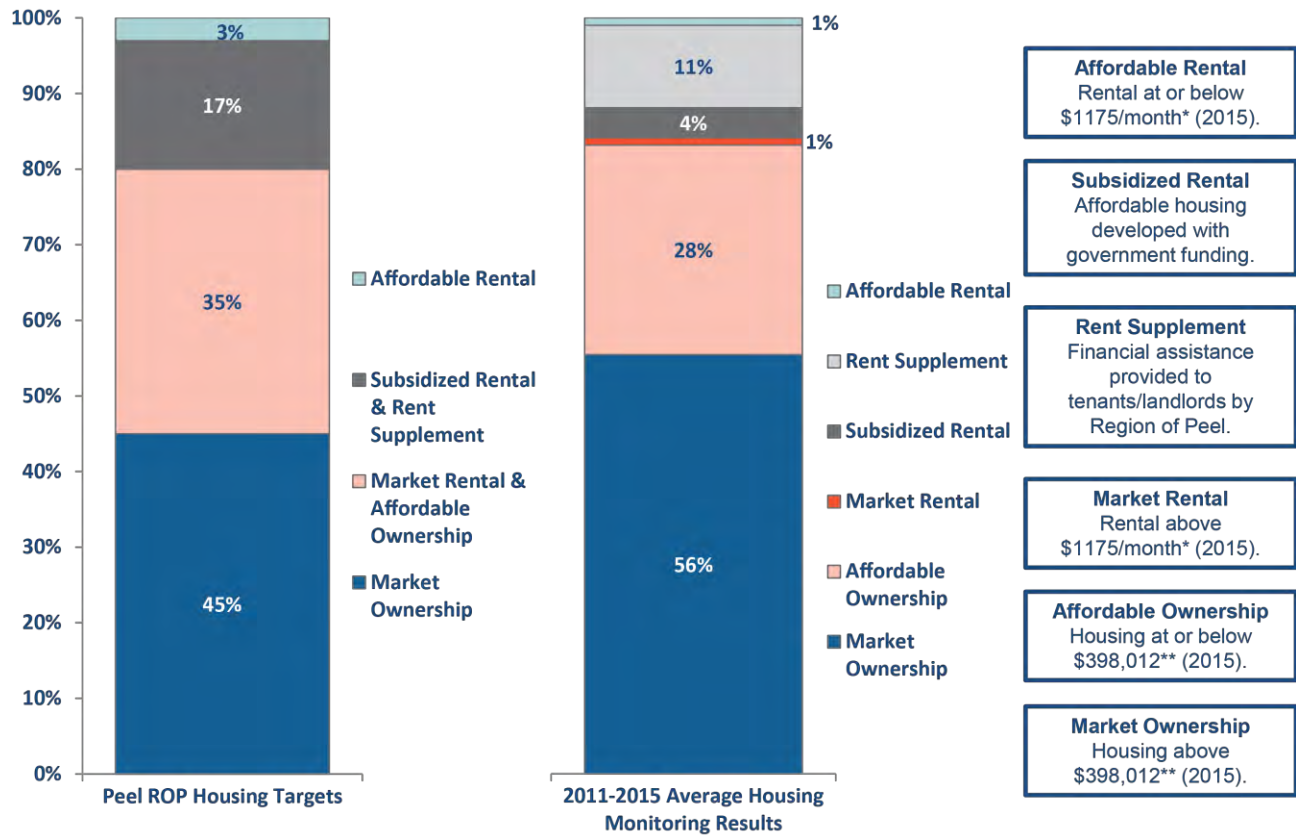
In order to monitor the affordability of total housing units, we divided households in Peel into 10 income deciles, ranging from below \$25,000 to over \$186,000. Based on the PPS definition, a household in Peel earning an income at the sixth decile or below (\$99,875) would be considered a low or moderate income household.

2015 Peel Ownership Affordability Thresholds – Income Based

Decile	1	2	3	4	5	6	7	8	9
Gross Hhld Income \$ (2011 NHS + CPI '15)	25,458	41,479	55,493	68,866	83,710	\$99,875	119,100	144,747	186,952
Monthly Income Spent on Housing	637	1,037	1,387	1,722	2,093	\$2,497	2,978	3,619	4,674
Max \$ Ownership Affordability	101,454	165,299	221,147	274,437	333,593	\$398,012	474,625	576,834	745,025

AFFORDABILITY OF NEW HOUSING UNITS ANNUALLY

Analysis of new housing units being added annually to the stock was undertaken. The illustration on the following page shows the ROP Table 4 Housing Targets compared against the average actual housing results from 2011 to 2015. The illustration also refers to key figures and definitions.



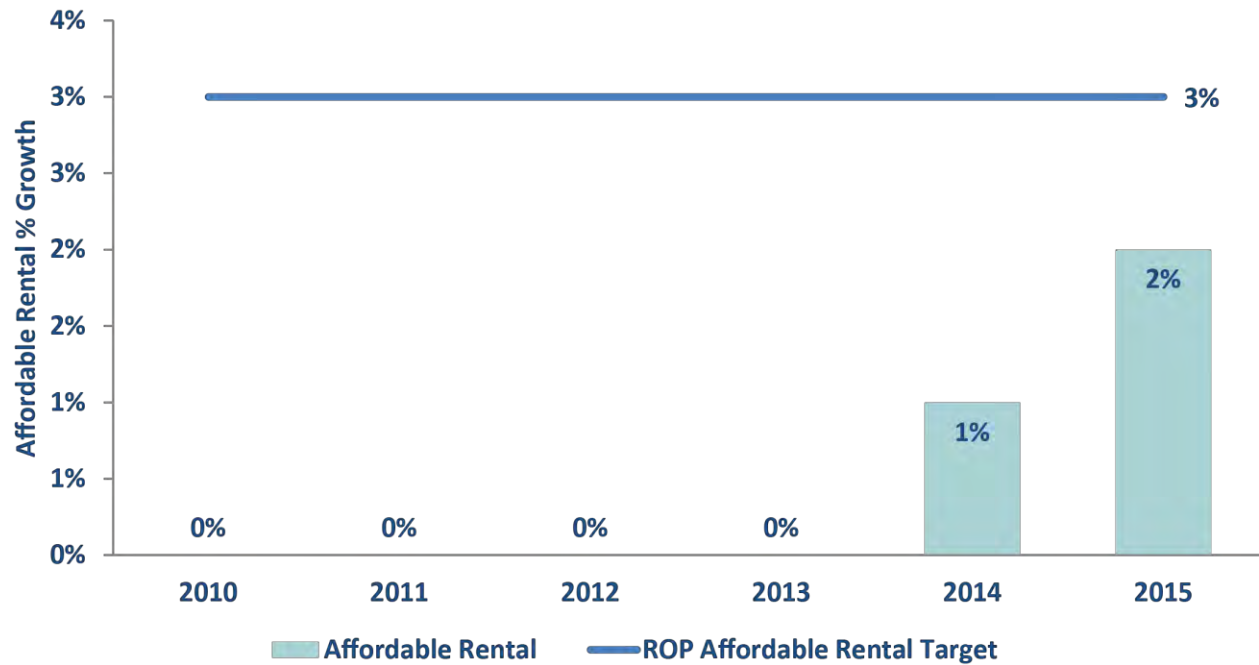
*Note: This is based on the least expensive of the 2 calculations – rental unit for which rent does not exceed 30% of gross annual household income for low and moderate income household; or rental unit for which the rent is at or below the average market rent of a unit in the regional market.
 **Note: This is based on the least expensive of the 2 calculations – the purchase price of a home results in annual accommodation costs which do not exceed 30% of gross annual household income for low and moderate income households; or purchase price of a home that is at least 10% below the average purchase price of a resale unit in the regional market area (PPS, 2014).

It is apparent that low to moderate income households are facing a significant challenge in finding affordable housing. More specifically, results indicate that:

- Peel has been underachieving in meeting the Subsidized Rental target (in 2015, achieved 1% subsidised rental)
- Affordable Rental only addresses registered second units (90 units registered in 2015)
- Grossly underachieving on Market Rental target (40 units in 2015, 1% of total new units)
- Meeting Affordable Ownership target (1234=32% of total new units in 2015)
- Overachieving on Market Ownership target (2356=63% of total new units in 2015)

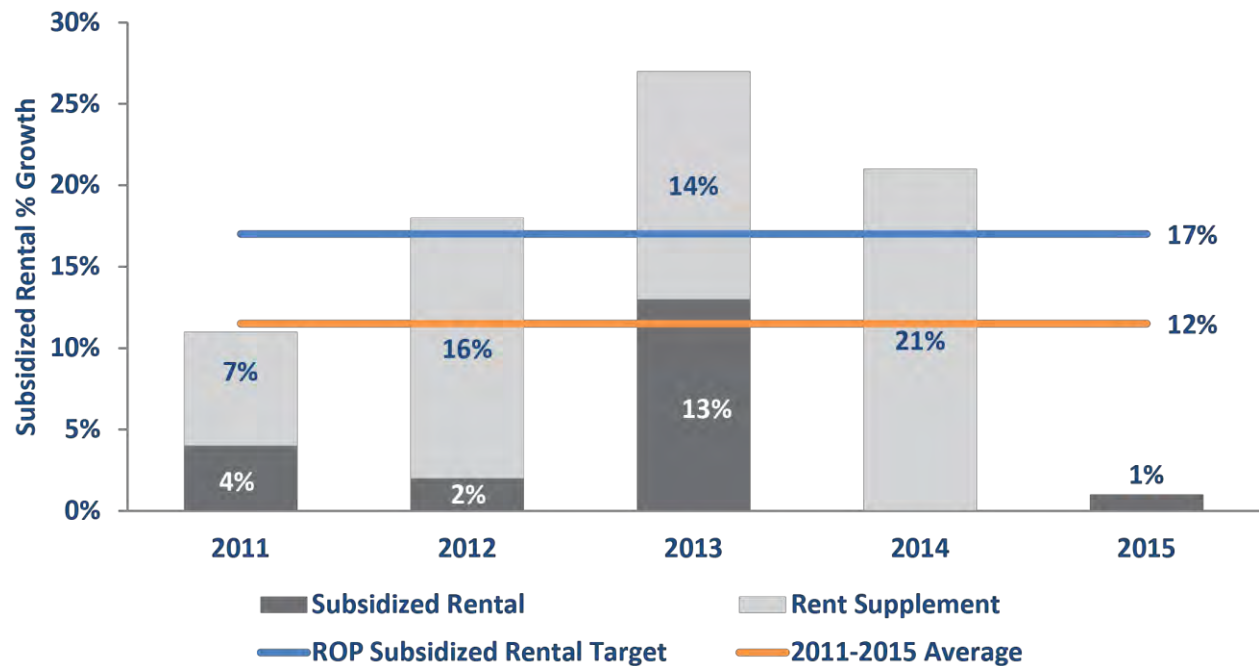
The above noted results are being further broken down, thereby providing a further understanding of results and key messages related to the four categories (affordable rental, subsidized rental and rent supplement, market rental and affordable ownership and market ownership) over time. Please refer to the following pages.

Peel's Annual Affordable Rental (2010 to 2015)



The affordable rental only addresses registered second units, and illustrates that Peel has been underperforming between 2010 to 2013. However there is an upwards trend recognized since 2014.

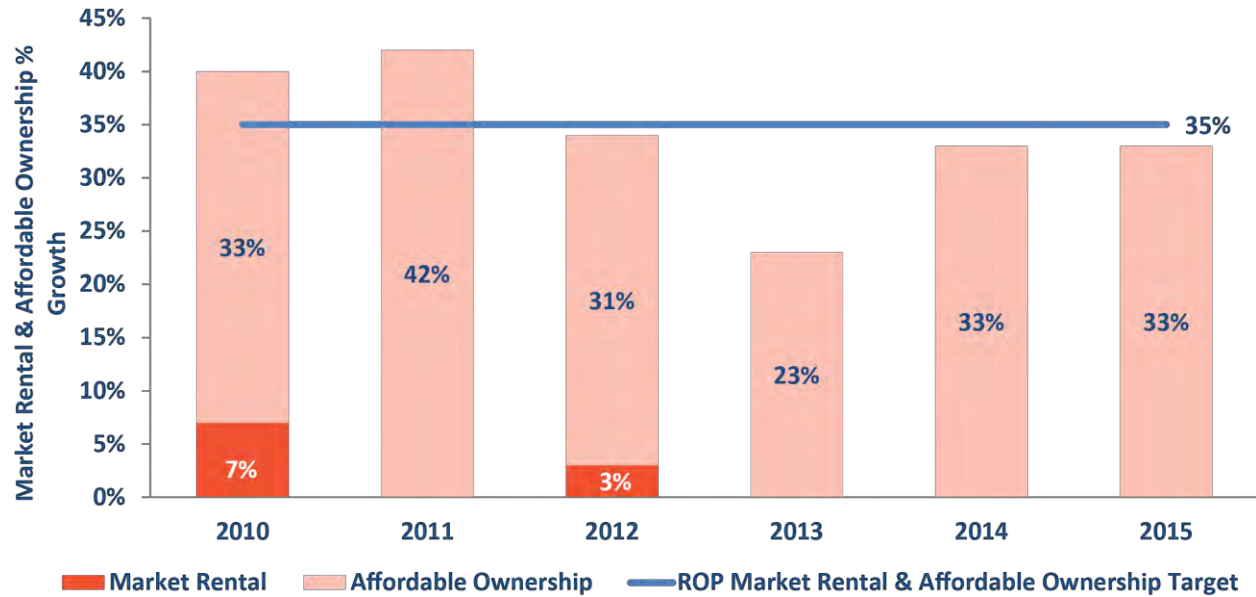
Peel's Annual Subsidized Rental (2011 to 2015)



We have not been meeting the subsidized rental housing target (focused on development of affordable housing units annually developed with government funding). However, if you take into account rent

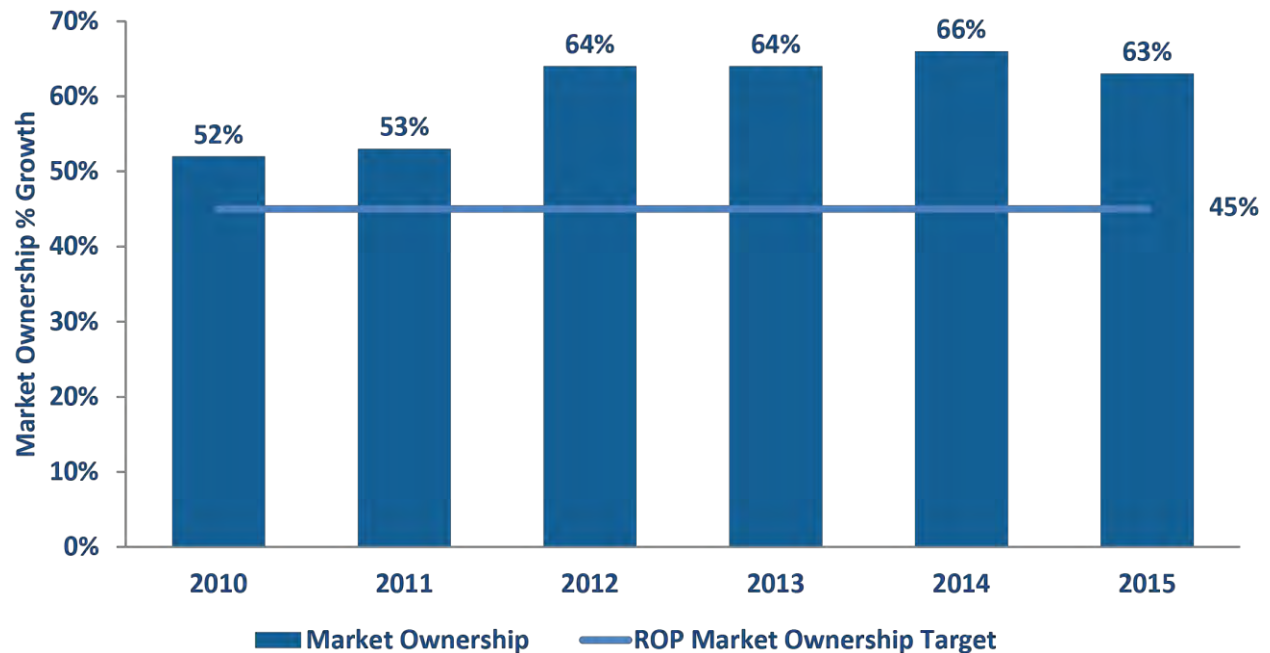
supplements provided to households, Peel would largely meet the subsidized rental target between 2012-2014. On average, however, Peel is not meeting the subsidized rental target at 12%.

Peel Annual Market Rental and Affordable Ownership (2010 to 2015)



The combined target of 35% for affordable ownership and market rental is being met mostly by affordable ownership, as there is a lack of rental housing supply in Peel.

Peel Annual Market Ownership (2010 to 2015)

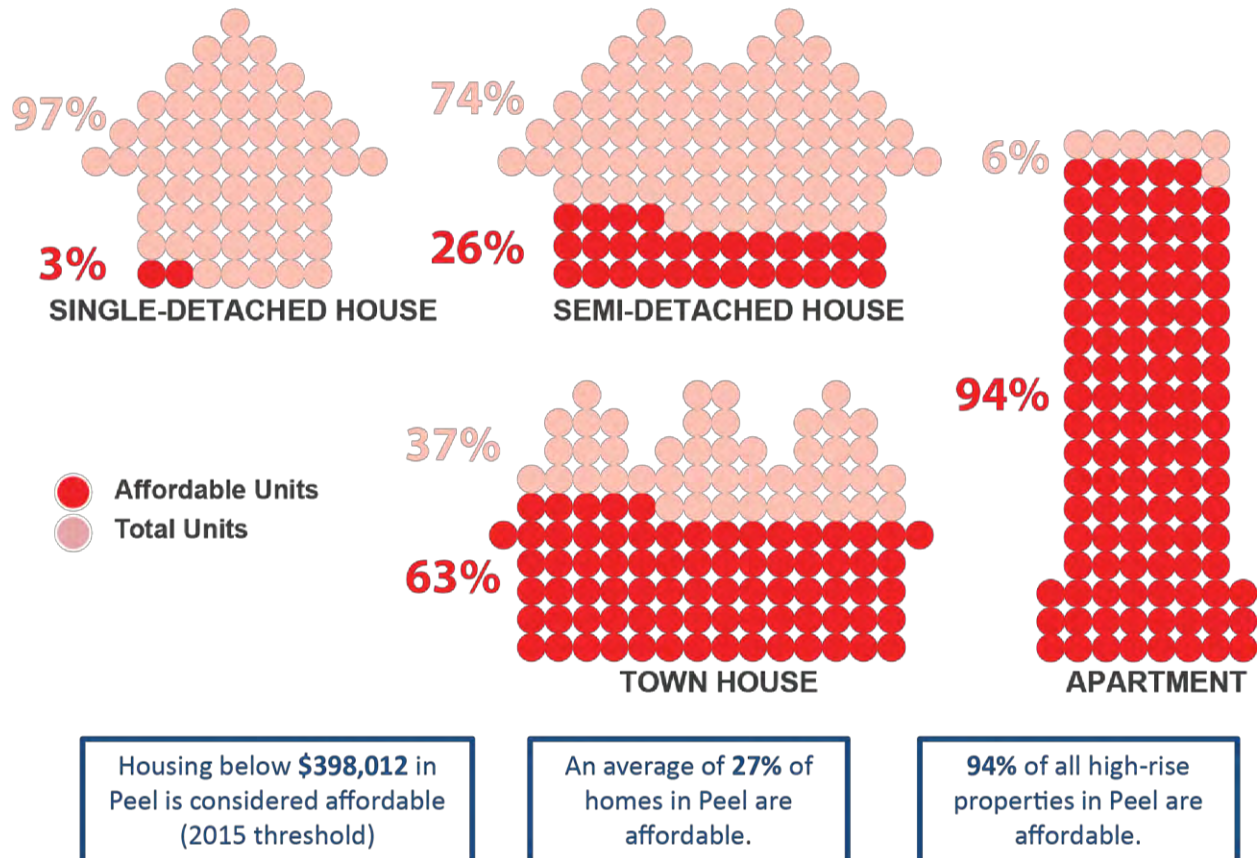


Peel is exceeding the market ownership target (45 percent), and therefore there is diminishing opportunities for diverse and affordable housing options.

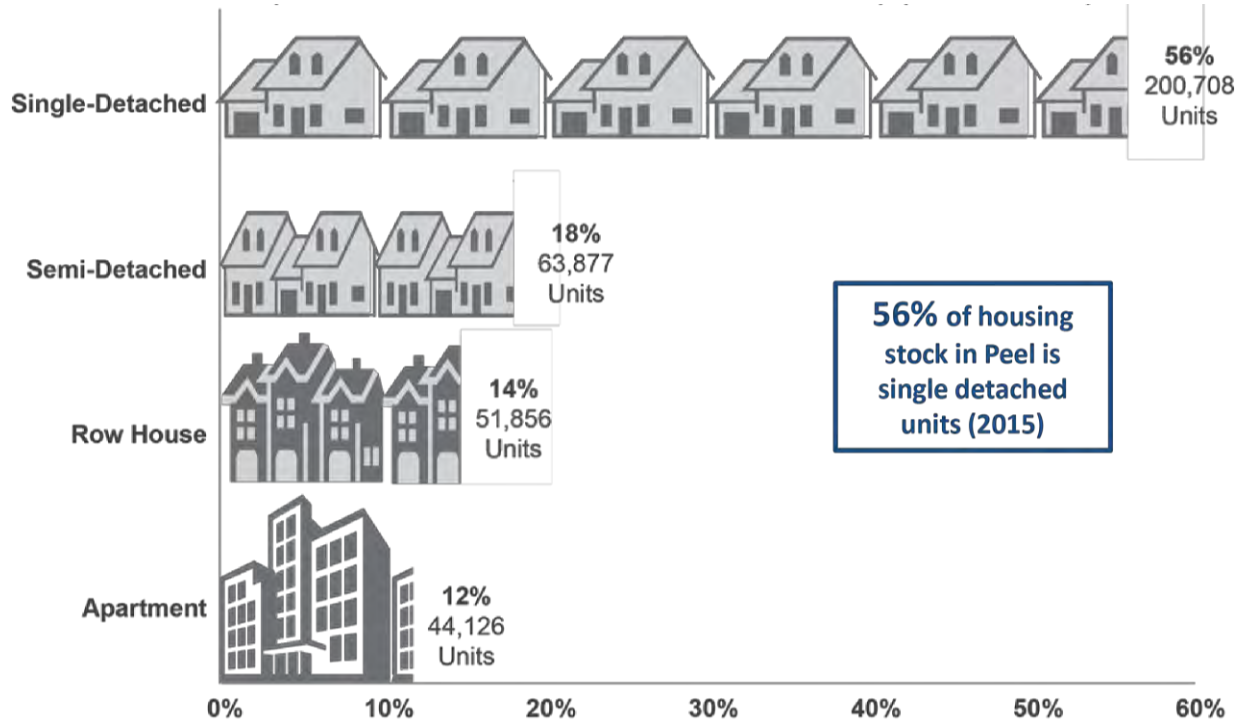
AFFORDABILITY OF TOTAL HOUSING STOCK

The targets in the ROP only apply to the percentage of new housing units being added to the stock annually, however it is important to understand the total supply of units in the market including rental. When considering the total supply of ownership units the following results were identified and illustrated below:

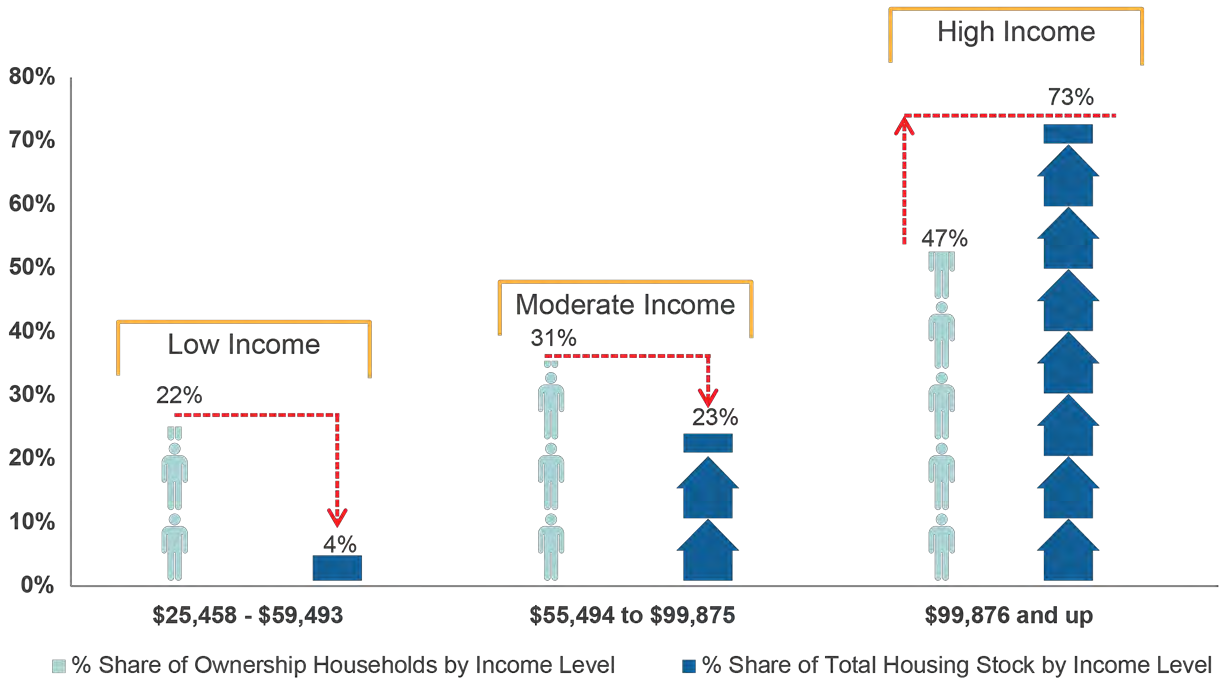
Share of Total Affordable Housing in Peel by Structural Type (2015)



Peel Housing Stock by Type (2015)



Total Housing Stock by Income Levels (2015)



Note: Income levels are calculated based on deciles. Low income represents deciles 1-3, moderate income represents deciles 4-6, high income represents deciles 7-10. Each decile represents 10% of all Peel ownership households.

In terms of total rental housing stock in 2015, staff has identified 39,386 purpose built rental units, 2,656 permitted second units, and 11,296 secondary condo rental market units amounting to a total of 53,338 units in the Region of Peel (see table below for more details). Staff analysis has also identified the following results:

- 21 percent of all rental stock are priced towards high income households and yet they only comprise of 15 percent of renter households.
- 79 percent of all rental stock are priced towards low to moderate income households and they comprise of 85 percent of renter households, which illustrates that there is not enough rental stock to meet housing needs.

2015 Total Rental Housing Stock

	Peel Total
Total Purpose Built Units (CMHC, includes 13,381 Housing Provider Units)	39,386
Total Permitted Second Units (local municipal databases)	2,656
Secondary Condo Rental Market Units (CMHC, estimated using 25.6%) (low rise TBD)	11,296
TOTAL RENTAL MARKET	53,338

*Note: In 2015, a total of approximately 4375 Rent Supplements support the ability of a household to live in affordable housing (average of 4090 RGIs and 280 Housing Supplements in 2015).

SECOND UNITS ESTIMATION ANALYSIS

In November 2011 and May 2013 Regional staff reported to Council on the implications and implementation of Bill 140 (*Strong Communities through Affordable Housing Act*). Regional Council directed staff to further examine the servicing cost implications of second units on Regional services. Regional staff has been conducting innovative work to estimate the number of second units in Peel (potential unregistered), in order to address the above noted Council direction and to also gain an understanding of the secondary private rental market as this would provide insight into the housing measurement and monitoring project. The estimation of second units work is not being undertaken by other municipalities, given the difficulty in ascertaining and implementing a methodology.

Various methodologies were reviewed and tested to estimate the number of second units in Peel. The methodology utilized included comparing Municipal Property Assessment Corporation (MPAC) property code data with Census household data to determine an estimate of total number of second units in ground-oriented housing units in Peel.

Results generated indicated that approximately 5% or about 16,500 census dwelling units in the in Peel were second units. More specific results (percentage and number of units) are provided below including by area municipality. It should be noted that second unit estimates should be interpreted with caution because there are several limitations to the methodology utilized.

Estimated Number of Second Units in Peel and by Area Municipality

	Estimated % Second Units in Ground- related housing	Estimated Number of Second Units in 2016**
Peel (Brampton, Caledon Rural Service Centres, Mississauga)	5.2%	16,496 [†]
Brampton	6.0%	8,345
Caledon (Rural Service Centres)	2.3%	283
Mississauga	4.8%	7,870

** Based on applying draft Hemson Growth Allocation Estimates for total number of ground-oriented units with estimated % of second units

[†] Peel Region estimate is the sum of the Area Municipal Estimates for Ground-Related Housing

The Second Units project was initiated at Regional Council’s request for information about the per capita servicing costs of second units. While an estimation of the number of second units in the Region is a necessary part of identifying servicing costs of second units, it is not possible to identify per capita cost without also understanding the size of second unit households. At this point in time, the costs associated with the additional second units and its impact on municipal services has not been well documented and comprehensively researched due to insufficient data. It should be noted that there has been limited research suggesting that second units will not place a significant burden on municipal infrastructure or services beyond the original design capacity due to the fact that many communities are experiencing population declines and since services were planned to accommodate larger households. By helping to reduce the decline in neighbourhood density, secondary suites can absorb underutilized capacity and allow for the more efficient provision of services such as water, sewer, and garbage collection and, the more effective use of resources. (Source: CMHC Research Highlight, 2001). From a financial perspective this excess capacity has been factored into setting development charge rates. Regional staff recognizes that second units support Regional affordable housing objectives (i.e. increasing affordable housing ToCP) by providing supportive and affordable rental housing that would otherwise not be available and by better utilizing existing public infrastructure and facilities.

6. Legislative and Policy Framework – Tools

There are several land use planning and financial tools available to municipalities to encourage and facilitate the provision of affordable housing. These tools largely stem from current statutory authorities which are in place under the *Ontario Planning Act* and supported by policy direction in the Provincial Policy Statement (PPS). A number of resources are available which provide a review of tools to facilitate the development of affordable housing. For example in 2011, the Ministry of Municipal Affairs and Housing developed the Municipal Tools for Affordable Housing Handbook. Also as part of the previous ROP Review Housing Strategy work, a paper was developed on Tools and Practices to Address Housing Issues. A comprehensive suite of tools were reviewed and a number of policies were incorporated into the ROP including minimum affordable housing targets. For the purposes of considering potential housing planning policy, the following tools have been identified for review:

Land Use Planning Tools under the *Planning Act*

- Inclusionary Zoning
- Section 37 – Density Bonusing
- Sections 34 and 41 – Development Permit System Bylaws
- Section 51 – Subdivision of Land
- Section 33 and 99.1 – Demolition Control By-law
- Section 28 – Community Improvement Plan (CIPs)

Financial Incentive Tools

- Development Charges Exemptions
- Property Tax Exemptions and Rates for Affordable Housing

INCLUSIONARY ZONING

Inclusionary zoning or inclusionary housing encompasses a variety of development regulation and approval practices and policies (i.e. density bonusing, fast-track approvals, zoning provisions) which can be directed at encouraging the creation of mixed-income housing projects. Inclusionary housing can be mandatory or voluntary.

Voluntary inclusionary housing refers to using incentives such as density bonusing to encourage developers to include affordable housing units in their development. The production of affordable housing is the result, only if the incentives are taken up. The authority for municipalities to implement voluntary inclusionary housing policies in Ontario is provided in the *Planning Act* in sections 37 (density bonusing), section 34 (zoning including Development Permit System By-laws) and Section 51 (Subdivision of Land). A more detailed description of these planning tools, how they may be used and their current application in Ontario and Peel Region is provided in the next section of the paper, including discussion on potential opportunities to encourage greater use of the tools to provide affordable housing.

In terms of mandatory inclusionary housing this refers to a regulatory tool, more commonly in the United States, where local governments can require private developers to include affordable housing units in their development proposals through inclusionary zoning. Mandatory inclusionary housing policy requires enabling authorities to be provided in legislation to be successfully implemented. Until recently, there was no enabling authority in the *Planning Act* for municipalities to implement mandatory requirements for the provision of affordable housing. However, recently through Bill 7: Promoting Affordable Housing Act legislative amendments have been made to introduce provisions to the *Ontario Planning Act* to enable municipalities to require inclusionary housing. Bill 7 enables municipalities to put an inclusionary zoning framework in place (official plan policies and zoning by-law). For example, if a municipality chooses to use this tool, new housing proposals would need to provide a certain number of units or gross floor area of affordable housing in order to obtain approval.

As per Bill 7 direction, municipalities that enable inclusionary zoning must address and be aware of the following:

- The legislation requires inclusionary policies to include goals, objectives and a description of measures and procedures.
- A municipal assessment report must be prepared prior to adopting official plan policies for inclusionary zoning, subject to criteria set out in regulation. This assessment report is to be reviewed every five years.
- Municipalities will be required to pass a by-law to give effect to inclusionary zoning policies. Zoning by-laws implementing inclusionary zoning would address:
 - the number or the gross floor area of affordable housing units required within the development;
 - the period of time for the unit to remain affordable;
 - specific design standards of the unit;
 - provide measures and incentives to support the policies;
 - rent and price controls; and,
 - establish a procedure for monitoring to ensure affordability over time. This may lead to regular reporting requirements via regulation details.
- In order to address inclusionary zoning goals and objectives, both official plans and Zoning By-law(s) would include measures and incentives. The Minister may provide further direction on incentives through the regulations.

- Official Plans and Zoning By-laws implementing inclusionary zoning would not be permitted to be appealed to the Ontario Municipal Board, except by the Minister.
- Municipalities would not be able to accept cash-in-lieu of affordable housing units.
- Municipalities may now apply both Section 37 (density bonusing) and inclusionary zoning requirements to a development area, subject to criteria set out in regulation.
- Municipalities may permit affordable housing to be located on another site, subject to criteria set out in regulation.
- Municipalities cannot accept cash in lieu of affordable housing units.
- Landowners must enter into agreements with the municipality that are to be registered on title and enforceable against subsequent owners to ensure the units remain affordable over time.
- Municipalities must establish procedures for the administration of affordable housing units so that they remain affordable over the long term and for reporting on affordable housing units.

Given the opportunity to introduce inclusionary zoning in Peel, it is important to consider best practices research and possible ROP policy directions related to inclusionary zoning in Peel. In order to understand existing inclusionary zoning frameworks in place, best practices research was conducted of more than 17 Canadian and U.S. jurisdictions. These jurisdictions were reviewed to understand their inclusionary zoning policies and zoning by-laws, incentives; government context/legislative framework; implementation/application of inclusionary zoning; results and lessons learned. Please note many jurisdictions reviewed may not have had a specific inclusionary zoning program, rather they had commonalities of such a program in their affordable housing strategy, policy or equivalent plan (inclusionary-like program).

Based on reputation, comprehensiveness and availability of information, five jurisdictions were selected for further analysis. Please see attached as Appendix I, five Canadian and U.S. Inclusionary Zoning Best Practices Research Case Studies. The case studies considered including the following jurisdictions: City of Montreal; City of Vancouver; City of Boston; Washington, DC; and City of San Diego.

Based on the jurisdictional review, it is recognized that inclusionary zoning programs cannot be generalized as each program is operating within a specific context i.e. governance structure, planning and legislative framework, land use authority, funding arrangement, senior level involvement etc. It is also recognized that developing, designing, implementing and administering inclusionary zoning programs is challenging, however obstacles can be overcome resulting in affordable housing units built. In terms of specific lessons learned identified, please consider the following:

- Senior level involvement through financial assistance is key as this enables municipalities to provide subsidies/grants to affordable housing projects, especially for low-income households.
- Inclusionary zoning programs generally target 10 percent or more of a project to be put aside for affordable housing.
- When developing an inclusionary zoning program, it must be determined whether the program applies to the whole municipality or to part of the municipality (specific location).

- Most inclusionary zoning programs target low to moderate income households. However, often the program is more viable when addressing moderate income households (not necessarily those in ‘deep need’ as this requires deeper subsidy).
- A legal mechanism (i.e. housing legal agreement on title) to ensure affordability and control occupancy over the long-term is key in order to address buy-back, buyer eligibility, resale etc.
- Active local non-profit housing provider and political will is beneficial in reaching results.
- Incentives vary based on circumstances (i.e. mandatory versus voluntary, market dynamics in the area, and objectives of the program to serve those in low-income versus moderate income households, regulatory versus financial incentives).
- Monitoring and measurement mechanism to understand affordable housing results is important as this enables municipalities to evaluate, adapt and adjust inclusionary zoning programs.
- It is beneficial to incorporate flexibility in inclusionary zoning programs i.e. enabling the developer to provide affordable housing on another site.
- Administrative, resourcing and detailed implementation efforts to manage these units is a major challenge including staffing, resourcing and ongoing monitoring.

It is important to continue to build a comprehensive understanding of inclusionary zoning programs, as we consider an inclusionary zoning framework in Peel including policies, mechanisms and implementation.

SECTION 37 OF THE *PLANNING ACT* – DENSITY BONUSING

One tool that municipalities can use to encourage affordable housing is section 37 of the *Planning Act*. Section 37 enables municipalities to use an incentive-based system to provide for increases in height and/or density in exchange for public or community benefits. In accordance with section 37, the council of a local municipality may, in a by-law passed under section 34, authorize increases in the height and density of development otherwise permitted by the by-law that will be presented in return for the provision of such “facilities, services or matters” as are set out in the by-law. Defined in this way, the *Act* provides a great deal of discretion for the definition of community benefit. Therefore, community benefits can include heritage preservation, public art, day care facilities, cultural facilities, green space, affordable housing etc.

In Peel’s two-tier planning, zoning is a local municipal tool. At the Regional level, official plan policy would be put in place that complements the local municipal official plan policy direction. The local municipalities would provide section 37 policies in their respective official plans, containing “provisions relating to the authorization of increases in height and density of development” (*Planning Act*, 1990, S. 37(2)). As well, an associated by-law would be passed setting out the potential community benefits that can be granted.

When implementing section 37 policies, detailed implementation guidelines and protocols are recommended to address how the calculation of the value of the benefit to be provided is determined. As well the guidelines and protocols would address timing, specific types of community benefits, and process to be followed. Important planning principles to be considered include an assessment of:

whether the development represents ‘good planning’; whether there is a reasonable planning relationship between the community benefit and the proposed increase in development; an appropriate size of the development is considered and a valuation of the increase to the community benefit is assessed. The detailed implementation guidelines and protocols would be used to develop section 37 agreements as per the *Planning Act*. See below. As per section 37 (4) of the *Planning Act*, agreements can be registered on title, this enables the municipality to enforce the provisions agreed to.

“Where an owner of land elects to provide facilities, services or matters in return for an increase in the height or density of development, the municipality may require the owner to enter into one or more agreements with the municipality dealing with the facilities, services or matters.”
(*Planning Act*, 1990, S. 37(3))

The City of Toronto has the most extensive experience with the implementation of Section 37, however there are a number of other Ontario municipalities that now have Official Plan policies and some experience with securing benefits. For example, Ottawa, Markham, Burlington, London and Cambridge have policies and some limited experience negotiating agreements.

The Region of Peel Official Plan provides enabling policy that encourages local municipalities to add density bonusing policies and develop implementation guidelines and protocols. In terms of local municipalities, the City of Mississauga, City of Brampton and Town of Caledon, and have some level of section 37 policies in their respective official plans.

The City of Mississauga in particular utilizes density bonusing and has guiding principles to implement this policy direction. The following is City of Mississauga’s official plan policy outlining the list of community benefits:

- a. protection of significant views and vistas of Lake Ontario;
- b. provision of parkland above that required by the *Planning Act*;
- c. enhancement of the Natural Areas System;
- d. provision of additional road or servicing improvements;
- e. provision of multi-modal transportation facilities;
- f. provision of community infrastructure;
- g. provision of a wide range of housing types, including affordable, assisted and special needs housing;
- h. preservation of heritage resources;
- i. provision of public art;
- j. enhanced urban design features;
- k. provision of streetscape improvements;
- l. contributions to city wide funds for public art or affordable housing;
- m. environmental development performance standards or LEED certification that exceeds that required by the Official Plan; and
- n. inclusion of office space in high density areas to meet population-to-employment ratios.

The above official plan policy is accompanied by implementation guidelines which provide an administrative framework for use of the tool to secure benefits. For example, the City of Mississauga's implementation guidelines/protocol address how section 37 will be applied, the type and size of developments, administration, guiding implementation principles, and consultation process. There is room to strengthen this policy direction so that affordable housing is considered a priority community benefit. Mississauga has taken the position that communities across the city have different priorities and these are determined during the review process.

The City of Brampton official plan authorizes, where appropriate, the use of density bonusing provisions for the increased height and density of development otherwise permitted in the applicable zoning by-law for the purposes of securing amenities, features or infrastructure for public benefit. The following is City of Brampton's official plan policy outlining the list of items that may be exchanged for density bonusing provisions:

- (i) Road network, traffic or transit improvements;
- (ii) Superior architectural design;
- (iii) Streetscape improvements and gateway enhancements;
- (iv) Daycare facilities;
- (v) Recreation and other community service or open space facilities;
- (vi) Preservation of environmental features; and,
- (vii) Heritage conservation.

The policy framework has been put in place to permit increases in height and/ or density in exchange for a public benefit; however the policies can be further strengthened to enable the exchange of density for the provision of a wide range of housing types, including affordable, assisted and special needs or contributions to funds for affordable housing. Further, the development of advice through implementation guidelines and protocols would be helpful.

The Town of Caledon as a specific policy that says "an incentive to encourage affordable housing in new development, redevelopment and intensification, as per Section 37 of the Planning Act, zoning by-laws may be passed to authorize an increase in height and/or density of the development that would not otherwise be allowed by the Zoning By-law. This provision is subject to the Town developing detailed implementation guidelines and protocols for implementing Section 37 of the *Planning Act*." The development of detailed implementation guidelines and protocols would be beneficial.

There is potential through the use of section 37 of the *Planning Act* to deliver on a range of community benefits, however to date this tool has not been widely implemented for affordable housing. The limited use of the tool has been primarily to secure locally beneficial amenities (such as public art, road or servicing improvements, public art etc.) and not to satisfy Region-wide or city-wide community need (such as affordable housing or community services). Except within the City of Toronto, Section 37 has rarely been used to secure affordable housing as the community benefit in exchange for height and/ or density.

To a large extent section 37 discussions and agreements occur outside the OMB process; however there have been section 37 cases before the Board. For example, there are Board decisions which have upheld the use of section 37 by municipalities and have provided guidance on how the use of section 37 should be conducted (e.g. relationship of the value of the density bonus to the value of the benefit provided). Please refer to Appendix II for cases where the section 37 request by the city was upheld.

Section 34 and 41- DEVELOPMENT PERMIT SYSTEM BY-LAWS (DPS)

The Development Permit System (DPS) is a land use approval framework that streamlines and expedites the planning process. It combines zoning, site plan approval and minor variance processes into one application and approval (development permit), thereby establishing faster timelines, eliminating duplication in approvals and providing certainty or clarity in the process. This can facilitate and simplify the development process for affordable housing in communities. Reduced processing and approval timelines may result in a positive impact on the financial bottom line and thereby reduce the cost of housing in particular, for infill and higher density projects. The DPS requires implementation at the local municipal level. Also, there are no third party appeals to the OMB for applications that comply with the development permit by-law.

A development permit bylaw is deemed to be a bylaw passed under section 34 (zoning) of the *Planning Act*. The DPS builds on the provisions of the *Planning Act*, including section 41 (site plan). Ontario Regulation 608/06 which came into effect on January 1, 2007, permits all local municipal councils in Ontario to establish a DPS.

In order to set up a DPS system, a framework must be established in the official plan. The official plan amendment would set out the operational framework for the DPS including identifying the geographic area(s), outlining the goals and objectives for the area(s), types of criteria and conditions to be included in the development permit bylaw. In order to support a local OPA, a Regional Official Plan policy would be beneficial in providing an enabling policy framework.

The local municipal Council must also pass a development permit bylaw for the DPS area. The bylaw would outline: a description of the area of where the bylaw applies; a defined list of permitted uses and discretionary uses; the establishment of review procedures; conditions and establishment of minimum and maximum standards for height, density and lot area. Uses would be subject to meeting provisions of the by-law. Prescribed discretionary uses within the development permit by-law, enable the municipality to incorporate a specified range of variation of development standards. These variations enable the municipality to establish minimum criteria for community benefits such as affordable housing, environmental considerations, energy conservation, brownfield redevelopment, and community Discretionary uses may be permitted if certain criteria and conditions are met i.e. provision of affordable housing. Further, municipalities can implement flexibility in height or density, in return for requirements to be met related to community services, facilities or matters specified in the development permit by-law.

Once a development permit by-law is enacted, the application is reviewed for conformity with the by-law standards and criteria. If the application meets all the requirements, a permit is issued and

conditions are imposed. It is important to also have in place guidelines and protocols to implement the DPS as this can be a helpful tool that can be used by staff and others.

When the Province first introduced the DPS tool in 2001, it was piloted in the Cities of Toronto and Hamilton, Region of Waterloo, Town of Oakville and Township of Lake of Bays. Each municipality had its own key planning goals being encouraged i.e. protection of groundwater, brownfield redevelopment, redevelopment downtown consistent with historic character, employment redevelopment etc. To date in the GTA, only the City of Toronto and City of Brampton are moving forward with a DPS system. The City of Brampton has a strong policy framework for a DPS system for their Main Street North area; however this is focused on revitalization. This DPS can be further strengthened to encourage affordable housing. Based on the above, the DPS currently is not a widely used tool, especially as a tool to encourage affordable housing. Also, the DPS can be used to address a variety of planning objectives, only one of which may be affordable housing.

Section 51 – SUBDIVISION OF LAND

The *Planning Act*, section 51 (24) sets out the criteria that municipalities must have regard for, when reviewing a draft plan of subdivision. This section of the *Planning Act* ensures that all decisions related to planning matters are in accordance with the Provincial Policy Statement, other applicable provincial plans and conforms to official plans.

Section 51 (24)

“In considering a draft plan of subdivision, regard shall be had, among other matters, to the health, safety, convenience, accessibility for persons with disabilities and welfare of the present and future inhabitants of the municipality and to, (a) the effect of development of the proposed subdivision on matters of provincial interest as referred to in section 2....

(f) the dimensions and shapes of the proposed lots;....

(k) the area of land, if any, within the proposed subdivision that, exclusive of highways, is to be conveyed or dedicated for public purposes...”

Section 51(25) of the *Planning Act* allows the municipality to impose any condition to a draft approval or an application, as long as it is believed the condition is reasonable, having regard to the nature of the development proposed. Therefore, provided it can be demonstrated that the provision of land to be conveyed or dedicated for affordable housing is reasonable and is for a public purpose, such a condition can be imposed. Please refer to the following:

Section 51 (25)

“The approval authority may impose such conditions to the approval of a plan of subdivision as in the opinion of the approval authority are reasonable, having regard to the nature of the development proposed for the subdivision, ...”

If the planning process was utilized to secure or set aside affordable housing sites (through the secondary plan or subdivision process), this may enable affordable housing. The process for securing

affordable housing sites would be similar to the planning, acquisition and disposition of school sites. Unlike school sites, when securing parkland as per section 51.1 of the *Planning Act*, these lands are provided by the developer as a condition of approval of plan of subdivision. However, parkland, up to the amount of land permitted by the Act, is provided free of cost to the municipality. Additional lands would need to be purchased from Development Charges revenue or other sources. When planning for school sites, these lands must be secured (through the secondary plan and plan of subdivision process) and purchased, typically at market value, by the school board.

Similar to the process for school sites, when a planning process is underway such as a secondary plan, a municipality or other agency could provide specific input to demonstrate an affordable housing site is necessary and desirable in accordance with the relevant Provincial and municipal policies. If an affordable housing site is appropriate, this can be reflected into the community plans. In the next planning stage, draft plan of subdivision, the requirement to provide the affordable housing site would be included as a condition of approval. Once the site is identified in the plan of subdivision, the arrangements could be made with the Region of Peel or other affordable housing provider to acquire the land prior to registration of the subdivision. The Town of Caledon has been working towards securing sites for affordable housing through the secondary planning and plan of subdivision approval process (s. 51).

The opportunities for a proactive use of the subdivision process to obtain sites for affordable housing is further outlined in Section 8 Analysis and Policy Recommendations of this Discussion Paper.

Section 33 and 99.1 – Demolition Control By-law

Rental housing is a key component of the housing continuum and serves a large portion of Peel residents. The loss of rental housing units can be an issue due to demolition and conversion of existing units from rental to ownership or condominium units.

Section 33 of the *Planning Act* enables a municipality to pass a by-law to designate areas of demolition control to prevent the premature loss of viable housing stock. Within these areas, a demolition permit would be required for the demolition of any residential property. However, through the use of section 33 both ownership and rental properties can be protected including properties with less than six units.

As of 2006, the Province provided further legislative authority to protect rental housing through the *Municipal Act*, section 99.1. This section allows a municipality to directly prohibit the demolition and conversion of any residential rental property with six or more dwelling units. The by-law may:

- prohibit the demolition of residential rental properties without a permit
- impose conditions as a requirement of obtaining a demolition permit; and
- prohibit the conversion of residential rental properties to a purpose other than residential rental property without a permit.

The Peel Regional Official Plan (policies 5.8.4.2.1 and 5.8.4.2.2) encourages the local municipalities to develop official plan policies to regulate the demolition and conversion of residential rental to ownership housing units. The local municipalities have made some efforts in the preservation of residential rental units. For example, Mississauga official plan policy 7.2.1.2 refers to demolition and conversion of rental properties (six or more units) not being permitted, if it adversely affects the supply of affordable rental housing. Further City of Mississauga Council through its June 27, 2016 report entitled “Affordable Housing Program: Preservation of Rental Housing” directed staff to prepare a rental housing demolition and conversion to condominium ownership control by-law. The Town of Caledon through official plan policy 3.5.3.4 encourages the preservation and replacement of purpose built rental properties of six or more units. The City of Brampton has enacted a demolition control by-law (203-99) which is currently utilized to ensure maintenance and occupancy standards are upheld. The local municipalities may wish to consider introducing a rental housing demolition and conversion to condominium ownership control by-law, in order to preserve and maintain the supply of purpose-built rental housing.

Section 28 - COMMUNITY IMPROVEMENT PLANS (CIP)

Section 28 of the *Planning Act* provides municipalities with the legislative mandate to enact a community improvement project area and prepare and adopt a Community Improvement Plan (CIP) for such an area. These targeted CIP areas can be Region and city-wide or smaller. By adopting a CIP area the municipality can utilize a variety of tools, to stimulate development and redevelopment of areas. One key benefit is the ability to use this tool in the CIP to facilitate the development of affordable housing (as per Section 28 1.1 of the *Planning Act*). By enacting a CIP, the municipality would have the authority to acquire, hold, clear, lease and sell land in the designated area, as well as put in place grant or loan programs.

In February 2014, through Regional Official Plan Amendment (ROPA) 26, policies to enable the establishment of CIPs were established in the ROP. More specifically, the policies address the following:

- Designation of a CIP area and preparation of a CIP to further goals, objectives and policies of the ROP such as in the area of infrastructure, affordable housing, land and buildings that are adjacent to transit corridors etc.;
- Designation of and adoption of a CIP which may set out incentive programs (i.e. grant based and/or reduced fee incentives) to registered property owners;
- Adoption of community improvement strategies/ programs to guide and facilitate the Region’s participation in implementing local municipal CIPs; and,
- Support the Region’s participation in local municipal CIPs subject to certain conditions.

As per the above ROP policy direction, the Region can either designate the entire Region (Regional CIP area) or designate a smaller as a CIP area or the Region can participate in a local municipal CIP in order

to deliver financial incentives with the aim of furthering Regional goals, objectives and policies, such as affordable housing.

For example, the City of Brampton has established a CIP area in downtown Brampton, which enabled 205 affordable housing units be provided for families, singles and seniors. The Hansen Project was a success due to the City of Brampton's CIP framework. This framework enabled the City of Brampton to approve a grant be paid through the Brampton Development Charges Relief Program (DCIP), to offset the costs for City development charges that would otherwise be applicable to the project. This was a significant incentive in promoting affordable housing in the area.

DEVELOPMENT CHARGES

As defined by the *Development Charges Act, 1997*, Development Charges (DCs) are fees levied by municipalities on new residential and non-residential properties to help pay for a portion of the growth-related capital costs that will occur, due to increased need for services. Generally, DCs can be levied for:

- Civic services
- Social/affordable housing
- Libraries
- Roads
- Transit
- Water and sewage systems
- Parks and recreational services

In order to promote the development of affordable housing, municipalities may use a variety of tools, including deferring the payment of DCs or providing grants in lieu of DC charges. This is used as a means to incentivize the development of affordable housing as it results in lower costs for the developer.

It is at the discretion of the municipality to set grant programs for DCs with respect to their specific community needs. In the context of Peel Region, the City of Brampton has established a DC incentive program which enabled them to provide a grant in lieu of DCs for the Hansen Project. This project resulted in 205 affordable housing units. As mentioned earlier, this project falls within Brampton's Community Improvement Plan (CIP) area, therefore a grant in lieu of local DCs was made possible, which resulted in cost savings for the developer and an increase in the supply of affordable housing for the community.

PROPERTY TAX EXEMPTIONS AND RATES FOR AFFORDABLE HOUSING

Another financial tool that can help encourage the development of affordable housing is adjusting the property tax ratios and rates at the regional level for multi-unit residential development. In Peel Region, the authority to set tax ratios for different classes of property has been delegated to the local municipalities. The option to establish lower property tax ratios for certain multi-residential buildings (apartments) is a potential tool in promoting affordable housing. However, any reduction in tax rates for one class of property would have to be offset by tax increases elsewhere.

Currently, housing projects in Peel that are funded by the Federal-Provincial Investment in Affordable Housing (IAH) program are mandated to have lower property taxes. Since the Region has not established a new multi-unit residential property class with a lower tax ratio, funding is provided by the Region to bridge the gap for housing projects funded under IAH. However, a number of municipalities have established the new multi-residential property class as a tool to encourage the development of affordable housing.

New affordable rental housing projects in Peel that are funded by the Federal-Provincial Investment in Affordable Housing (IAH) program are required to have their property taxes reduced by setting it at a rate equivalent to, or lower than, the single residential rate for the area; or be provided a grant in lieu of this property tax reduction. Currently the Region, as the Service Manager for this program, provides a grant in lieu for property taxes as follows: The Region will provide proponents with a grant in lieu of a tax adjustment for the 20-year affordability period for funded units only, in compliance with the Program requirements that the general property tax applicable to the units built under the Program, are equivalent to the single-residential rate for the area.

MUNICIPAL CAPITAL FACILITIES AGREEMENTS

As per the *Municipal Act*, 2001, Section 110, municipalities must define “affordable housing” in a municipal housing facility by-law before entering into a municipal capital facilities agreement for municipal housing project facilities.

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, not-for-profit organizations, and aboriginal communities to deliver municipal facilities. The types of municipal capital facilities listed in the regulation include, among others, municipal housing project facilities and recreational or parking facilities. 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 can also consider development charges 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.

The Region of Peel passed by-law 41-2003, as described above in order to govern the provision of municipal housing project facilities in the Region of Peel. The by-law creates a structure to enable the Region to partner with both private and non-profit sector entities to encourage the creation of affordable housing in Peel. The Region of Peel has not entered into any such agreement since this by-law was passed, however there is potential in using this tool to create affordable housing in Peel.

The above noted tools may require the Region to either expend funds or forego revenue in order to implement the intent of the resolution. In those instances it may be necessary for a tax or rate based budget to be established to fund these new initiatives. There is great merit and benefit for the community in increasing affordable housing; however it is important to recognize the budgetary implications at the onset.

7. Case Studies

This section provides an overview of relevant case studies that utilize many of the tools outlined in the previous section of the paper. Case studies were reviewed to gain an understanding of lessons learned and how tools are currently being utilized in other municipalities that are also facing similar housing affordability challenges and fiscal constraints. Case studies that have been successful increasing affordable housing supply have been highlighted in this section including cases from the City of Toronto, York Region and the City of Ottawa.

CITY OF TORONTO

The City of Toronto has listed housing affordability as one of the biggest challenges facing the City, second only to transit. Toronto's housing policy framework is designed to encourage the provision of a range of housing types. Through specific policies, use of available planning tools and other government funding sources, the aim is to target those areas of the City's housing spectrum not adequately provided for by the market to meet demand or maintain diversity in the housing stock.

Planning Tools

Under direction of the *Planning Act* and Provincial Policy Statement (PPS), the City of Toronto's Official Plan recognizes the importance of providing for a full range of housing in terms of form, tenure and affordability and sets out a housing policy toolkit to achieve this objective.

a) Large Sites Policy

One tool used by the city is grounded in its 'large sites policy.' Under section 3.2.1 of the Toronto Official Plan, policy 9, directs a mix of housing (by type and affordability) be provided on sites generally larger than 5 ha in size. This 'inclusionary zoning type' policy states that for these larger sites, a minimum of 30% of the new units will be in the built form other than single and semi-detached units, and includes row houses, triplexes, and multi-unit residential buildings. This policy enables for different types of housing to be provided, which are more likely to be affordable (e.g. apartments in multi-unit building vs. single detached dwellings). The City's large Sites Policy is also used in conjunction with height and density bonusing tools under section 37 of the *Planning Act*.

b) Height/Density Bonusing (Section. 37 of the *Planning Act*)

Another tool used by the City of Toronto is height/density bonusing. When an increase in height and/or density is sought by a developer, the City of Toronto requests a community benefit, which may include affordable housing, in accordance with sec. 37 of the *Planning Act*. The exchange of benefits is negotiated in accordance with policies on a site by site basis, where a request for additional density warrants the consideration of community benefits to be provided. When negotiating affordable housing

in exchange for the increased height and/ or density, the provision of 20% of the additional residential units must be in the form of affordable housing. The provision of 20% through section 37 is only applicable within areas subject to the City's Large Sites Policies. Outside Large Sites Policy areas, affordable housing is one of several community benefits that may be negotiated on a case by case basis. The affordable housing provided may be built, either near the development or elsewhere in the city, provided through the conveyance of land on or near the site or through a cash-in-lieu payment for the construction of affordable housing.

The list of community benefits that can be obtained in return for increased density and/or height are listed in the Toronto Official Plan under section 5.1.1. As well, in 2007 the city adopted sec. 37 implementation guidelines and a protocol for negotiating the community benefit. Any sec. 37 community benefit is made subject to an agreement registered on the title of land.

The City of Toronto uses sec. 37 provisions for community benefit contributions more extensively than any other municipality in Ontario. For example, up until mid-2014 the City of Toronto has received over \$350 million worth of section 37 benefits, as well as a potentially equal value of community benefits provided in-kind by developers. Besides the City of Toronto, over thirty other municipalities have identified affordable housing as an eligible community benefit to be exchanged for increases in building heights and densities in their official plans. These include East Gwillimbury, Kingston, North Grenville, Ottawa and Peterborough.

Programs and Financial Incentives

As the Municipal Service Manager under the *Housing Services Act* the City of Toronto is involved in delivering a variety of funding programs that support affordable rental and ownership housing.

The City of Toronto oversees the federal-provincial Investment in Affordable Housing Program, which provides funding to develop new rental housing, fund housing repair, deliver housing allowances and make available home ownership down payment assistance loans. Further, the City of Toronto supports private and non-profit affordable rental housing construction by providing incentives through development charges, planning fees and property tax relief, typically in conjunction with federal-provincial funding. The City of Toronto also provides funding through its Home Ownership Assistance Program (HOAP) to off-set development fees and charges for non-profit sector affordable ownership developers such as Habitat for Humanity.

a) Affordable Housing Open Door Program

On April 24, 2015, the Mayor and the City's Housing Advocate issued a letter to the Affordable Housing Committee titled "Affordable Housing Open Door Program". The "Open Door" program is aimed at encouraging developers (both private and non-profit) to build more new affordable rental and ownership housing in Toronto. The initiative will streamline the process by which developers can have their affordable housing projects approved.

The initiative has proposed that City staff coordinate to produce a report to the Executive Committee on the development of an "Open Door" program by November/December of 2015. The report is to look at several ways to achieve its approved housing targets including looking into options for activating quick-start developments through the investment of \$20 million from the Development Charges Reserve Fund for Subsidized Housing; expanding policies and procedures for the discount, exemption, and waiver or deferral of City development charges; planning and building permit fees and property taxes for affordable rentals.

It is still too early to tell whether the "Open Door" program will have any effect in the provision of affordable housing for the City of Toronto. It is suggested that Peel Region continues to monitor the evolution of this initiative and in due time, assess the potential to adapt and potentially implement some of these recommendations to the Regional context.

REGION OF YORK

The provision of a full mix and range of housing choices is a legislated requirement and a key component of complete communities. Similar to Peel Region, York is expected to continue to experience growth and a shift to a more diverse and urbanized population. Applying affordable housing targets to this growth is a planning tool that York Region hopes will help ensure that the housing demands in the Region are met.

Planning Tools

This paper has reviewed a number of planning tools that encourage the provision of affordable housing. A mechanism outlined within the PPS, 2014 and Provincial Growth Plan for the Greater Golden Horseshoe, 2006 relates to the affordable housing definition. The definition establishes upper thresholds for affordable rental and affordable ownership housing, as well as direction to establish and implement affordable housing targets. In addition, the Housing Services Act, 2011 requires the Region to develop a 10-Year Housing Plan, (such as has been done for the Region of Peel through the Peel Housing and Homelessness Plan), including establishing and monitoring of targets.

The Regional Municipality of York has conducted some leading-edge work on monitoring, reporting and implementing their ROP affordable housing targets. The aim is to develop a comprehensive approach to address housing supply and mix in the Region of York.

a) Affordable Housing Targets in the Regional Official Plan (ROP)

The York ROP includes targets which require that 35% of new housing in the Region's Centres and key development areas be affordable and that 25% of new housing outside of those areas be affordable.

In order to monitor and implement these targets, York staff has calculated and established maximum affordable housing thresholds and conducted monitoring to understand progress made towards achieving affordable housing targets.

Further, York has conducted technical consultations with local municipalities and the development industry to discuss details on how affordable housing targets in the ROP may be implemented. These discussions have resulted in the development of implementation guidelines which detail how targets are measured and may be considered through local planning approvals.

b) Affordable Housing Measuring and Monitoring Guidelines

The implementation guidelines provide a standard approach to implement the York ROP affordable housing target policies and cover three main topics: Affordable Thresholds (how maximum affordable housing price thresholds are calculated); Affordable Housing Commitments (how local municipal staff can track affordable housing commitments made by development proponents); and, Affordable Housing Monitoring (how regional staff will monitor and report on new affordable housing completions).

The implementation and monitoring has been integrated into the secondary plan and development review process, with the objective of creating a greater supply of affordable units throughout the Region. This work has involved updating and publishing annual ownership and rental affordability calculations, used to measure the affordability of targets found in the York ROP.

Affordable housing targets have been included in the York ROP since 1994. The implementation guidelines represent the first standardized approach to monitoring and reporting on new affordable units through the land use approvals process. This approach is to enable a consistent identification and measurement of the supply of affordable housing units, which in turn will allow for evidence based policy responses to housing needs.

Programs and Financial Incentives

Additionally, the Region of York supports a number of programs to promote and facilitate the development of new housing. For example, through a pilot project the Region of York was able to provide a development charge deferral (36 months) to incentivize the development of a 225 unit purpose-built rental housing building located at 121 Davis Drive within the Town of Newmarket.

CITY OF OTTAWA

Similar to the City of Toronto and the Regional Municipality of York, the need for affordable housing has been identified as one of the key issues facing the City of Ottawa. As part of municipal efforts to meet housing needs, Ottawa City Council approved an Affordable Housing Strategy in February, 2002 and this was later followed by the approval of Ottawa's 10 Year Housing and Homelessness Plan. Thus far, implementation of the actions has resulted in the creation of the following tools (among others) for affordable housing development:

Planning Tools

a) Demolition Policies

Demolition and replacement policies have been used to varying degrees of success by many municipalities interested in protecting existing affordable housing, especially in areas undergoing intensive redevelopment or gentrification.

Through its Official Plan, the City of Ottawa has tried to protect existing housing stock through the use of policies preventing demolition without replacement. Specifically Section 4.5 of the Official Plan mandates Council to maintain existing housing stock in the City. The benefit of having such policies in place is that they address the need to protect existing affordable rental stock from area redevelopment. Further, they protect units and their inhabitants against displacement in inner city neighbourhoods.

In order to implement this policy, the City of Ottawa has enacted a Demolition Control By-law (By-law 2012-377. Under this By-law, City Council must approve demolition permits when there is no proposed replacement building or when a dwelling is proposed to be lost through conversion to a non-residential use. If, after a partial demolition, a dwelling unit remains inhabitable, it is excluded from Demolition Control.

Demolition Control applies to residential units only and approval is required in cases where all of the following are true:

- Where no building permit for a new building on the site has been issued; and
- Where the demolition will result in the elimination of one or more residential dwelling units; and
- Where the building to be demolished is located within the Area of Demolition Control as defined by Schedule 1 of the Demolition Control By-law 2012-377.

As well, a Demolition Control approval is required if the building is designated under Part IV or Part V of the Ontario Heritage Act. (Heritage buildings require Demolition Control approvals no matter what the buildings' use or whether a replacement building is proposed).

Programs and Financial Incentives

a) As-of-Right Incentives

Some affordable housing incentives are available to developers "as-of-right". These are incentives that were created through By-laws of Council.

- Reduced property taxes: the New Multi-Residential Tax Class is for all new residential developments of multiple forms with seven units or more and provides a tax rate comparable to the single residential class rate for a period of 35 years.
- Relief from development charges and building permit fees is available for all residential development in the downtown core area of the City.

Non-profit or Charitable Developers have additional as-of-right incentives which provide relief from development charges, planning application fees, building permit fees and parkland levies for the development of affordable housing. Verification of non-profit or charitable status must be presented to the City in order to receive such relief.

b) Discretionary Incentives

The City's Municipal Housing Facilities By-law is a tool that gives Council the ability to grant specific development charge relief and other incentives to developers in exchange for affordable rental housing. Specific returns expected include that housing must be guaranteed to be affordable for a minimum of 20 years; that rents be no higher than the CMHC Average Market Rent and a minimum of 60% of the units must be at rents affordable to lower income families; and that units for lower income households must be rented to tenants drawn from the Social Housing Registry waiting list.

Developers may seek discretionary incentives at any time. Proposals are assessed on merit, achievement of City objectives, and in consideration of available resources. Council must approve proposals of this kind.

c) Action Ottawa Housing Program

In 2002, the City of Ottawa initiated Action Ottawa with the goal of supporting the creation of 1,000 units of rental housing over four years. The key objective was to help private and not-for-profit developers build new affordable rental housing for moderate and low-income households.

The initial phase of Action Ottawa was a pilot program with a Request for Proposals (RFP) for new affordable housing. There was an encouraging response from both the private sector as well as the not-for-profit sector, which led to the establishment of Action Ottawa as a permanent program.

Action Ottawa bundles as-of-right and discretionary incentives with additional resources of capital grants and, in some cases, City-owned land. In addition to the as-of-right and discretionary incentives, the Action Ottawa package includes:

- Capital Grants of up to an average of \$60,000 per unit (Federal and/or Municipal)
- Long-term lease opportunities on City-owned land at nominal rates

In exchange for incentives, the City requires successful applicants to provide affordable rental units for a minimum of 20 years. The rents can be no higher than the CMHC Average Market Rent, as well as 60% of the units must be at rents affordable to lower income families, and these units must be rented to tenants drawn from the Social Housing Registry waiting list. Action Ottawa applications are accepted on a proposal call basis only.

Financial incentives can also work in "mixed" or "blended" housing projects which contain both full market housing (which benefit from lowered property tax rates for new multi-residential construction), average market rent units and rental housing affordable to lower-income households.

The various case studies identified in this discussion paper suggest that in order to make a truly significant impact on the provision of affordable housing, creative solutions are required. These sample planning tools and incentive programs can lead to meaningful results if they are employed comprehensively. Peel Region needs to examine whether these are appropriate or sustainable sources from which to draw upon, based on the Peel Region context.

8. Analysis and Policy Recommendations

The last Regional Official Plan Review included the development of a Regional Housing Strategy and a comprehensive housing amendment (ROPA 23). A review of the ROP demonstrates that a broad range of housing policies are already established which address the following themes:

- Adequate and diverse housing supply;
- Affordable housing supply;
- Housing access and options for diverse and special needs groups; and
- Sustainable, compact, complete communities.

Through the current Peel 2041 Regional Official Plan Review policy gaps have been identified. More specifically, a future draft Housing ROPA would need to address Bill 140: Strong Communities Through Affordable Housing Act, 2011. As required by the Act, the Region will be introducing policies permitting second units in single detached dwellings, semi-detached dwellings, row-house dwellings and buildings or structures ancillary to dwellings. This policy work supports the local municipal second units work already in place. Additionally, building on the AODA direction and existing accessibility-related ROP policies, Regional housing policies will also reflect accessibility to ensure technical clarity.

As reviewed earlier, the following is the September 11, 2014 Regional Council resolution (2014-721) regarding affordable housing:

That all greenfield developments in The Regional Municipality of Peel shall require the developer to transfer a minimum of two acres of serviced land clear of encumbrances at the time of registration of the plan of subdivision for the purposes of social housing;

And further, that of the two acres, one acre shall be transferred to Habitat for Humanity for their purposes;

And further, that this be referred to staff to see how this can be implemented depending on the size of the development;

And further, that a policy be developed for urban areas.

The intent of this resolution speaks to inclusionary zoning, whereby a municipality requires a developer to provide affordable housing as a condition of the development approval process. When this resolution was passed municipalities did not have the authority to implement inclusionary zoning. In order to address this Council direction and progress towards meeting Regional Housing Unit targets, policies are being considered to require an affordable housing assessment be undertaken when planning individual residential communities (i.e. secondary plans).

Further, Bill 7: *Promoting Affordable Housing Act*, passed on December 8, 2016, enables municipalities to require inclusionary zoning. It is important to capitalize on this opportunity and aim to increase the affordable housing stock by providing an inclusionary zoning policy framework for Peel. More specifically consistent with Bill 7 policy direction, the Region of Peel sees value in providing an overall inclusionary zoning policy framework which directs the local municipalities to implement inclusionary zoning in Peel and policy addressing the Region's role in supporting this direction. Support and flexibility would be provided to the local municipalities to deliver inclusionary zoning details and implementation based on the local context. The aim of the Regional policy would be to: capitalize on the inclusionary zoning planning tool (as this enables securement of additional affordable housing in Peel); provide a level of consistency and fairness across Peel Region; support local inclusionary zoning policy implementation by exploring providing measures and incentives and resourcing the implementation, administration and enforcement of programs. In addition, Regional staff would undertake the affordable housing assessment (requirement) on behalf of the Region and local municipalities in order to support Regional and local OP policy.

Therefore, it is recommended that new and updated policies be included in the Regional Official Plan related to the following:

- Recognize the relationship between affordable housing and public health within the ROP Section 5.8, Housing Preamble.
- Better align policy language to permissions within Bill 140: Strong Communities through Affordable Housing Act, 2011. This will reflect current implementation efforts by area municipal partners.
- Technical changes to reflect accessibility within the existing housing policies.
- Require local municipalities to include policies for the provision of affordable housing in new or revised local municipal official plans for individual residential communities addressing the following.
 - contribution towards the achievement of affordable housing unit targets;
 - an appropriate range and mix of housing types, densities, sizes and tenure that contribute to the supply of affordable housing; and,
 - identification and conveyance strategy for affordable housing sites, in consultation with the Region.

In order to support this direction, an Affordable Housing Assessment (AHA) is to be undertaken. The intent of an AHA is explained further below:

- Require the local municipalities to include density bonusing provisions for affordable housing and develop associated implementation guidelines and protocols.

- Encourage the use of development permit system policies in local municipal Official Plans for affordable housing purposes.
- Require the local municipalities to implement inclusionary zoning for residential developments (OP policy and zoning framework), with the intent of securing housing to be maintained as affordable over time.
- Address the Region’s role in supporting the local municipalities in implementing an inclusionary zoning framework (i.e. planning, financial and process-related measures and incentives, implementation and administration. (Note: It is expected that Bill 7 regulations will be released shortly and additional policy directions and refinements will be considered at that time.

The above noted policy directions refer to the development of an AHA, which can include matters such as the following:

- Identify current and future housing needs within the area by considering demographics (i.e. population, age distribution, ethnicity, income and education levels) to determine the housing market data
- Utilizing the Region of Peel information regarding measuring and monitoring housing targets, assess the current housing stock available within the community
- Provide proposed overview of project including total number of units, affordability, tenure, type, density and size
- Assess affordability of new housing types proposed within the project
- Address how the housing development addresses the new housing unit targets within the Regional Official Plan
- Identify housing priorities and opportunities

It is intended that an AHA would positively influence affordability, as it would provide a deliberate consideration for affordable housing during the planning process for new community or new development. For example, an affordable housing assessment may result in an improved range and mix of housing unit types, densities, sizes, tenure and possibly the identification and conveyance of affordable housing sites.

If the process results in an affordable housing site being identified as appropriate, implementation would include specific policies, conditions of approval and land acquisition discussions with the land owner. Possible results from this discussion could include dedication of a site or units for affordable housing at no cost, acquisition of the site at full market value by an affordable housing provider, or an alternate solution.

The approach to the identification of affordable housing site is seen as similar to the process used for securing school sites through the development process, where school boards usually commence involvement in the planning process when a secondary plan is being prepared. The school board works

with the municipality to determine need for new school sites. If a school site is needed, the location and amount of land within the secondary plan is identified. These new school sites are often identified on secondary plan schedules. The specific school sites are identified in the plan of subdivision. Once the location is identified, the school board works with the landowner(s)/ developer(s) to acquire the land identified. The Plan typically identifies alternate uses in the event the school site is not needed/acquired by the school board.

The affordable housing assessment would consider inputs such as Peel Public Health's Affordable Housing Active Design Guidelines and Standards. The framework is a set of design strategies to be considered during the procurement, design and rehabilitation or retrofit phases to promote active lifestyle among affordable housing residents. The aim of the framework is to consider the impact of built form on health and ensure opportunities and resources for physical activity are available to all residents. The guidelines are a great reference for all; however they are especially useful to guide purpose built affordable housing projects.

In most instances, in order to acquire sites or units for affordable housing, the Region would need to either expend funds or forego revenue. In terms of current spending on affordable housing, in July 2016 the Region of Peel proposed a new plan for housing investment to support the housing system in Peel which includes: development of new seniors housing site; implementation of the Supportive Housing Demand and Supply Action Plan through development of supportive housing projects; acquisition of new condominium units; social housing regeneration projects; and, new affordable rental housing development. The existing funding and financial resources available are development charges, Peel reserve funds and the provincial and federal governments' investment monies for affordable housing.

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10. Appendix I – Canadian and U.S. Inclusionary Zoning Best Practices

CITY OF MONTRÉAL

Background

The City of Montréal comprises of 19 boroughs, each with its own local council and Mayor. The Montréal City Council, in turn, is made up of the 19 borough Mayors and 45 City Councillors, and the Mayor of Montréal. The city government has jurisdiction over most city-wide functions, including social housing funding and development, but it must work through the boroughs, which have control of local planning and development approval. There is one strategy for Montreal and the goal and objectives are the same for the 19 boroughs but some have their own specific affordable housing targets. The existing legislated powers in the Province do not allow mandatory inclusionary zoning.

Place Overview

Population Estimate: In 2011, 1.65 million and the wider metropolitan area population was 3.6 million

Policies

Name: Strategy for Inclusion of Affordable Housing in New Residential Projects

Year Adopted: August 2005

- Two main objectives
 - Maintain the social mix by encouraging on-site inclusion of social/community and private affordable housing
 - Support the production of affordable housing

Policy Type: Voluntary (framed as a guideline). It is a tool for implementing the Master Plan (2004)

- Identification of a target of 30 % affordable housing : « we aim for 15 % social and community and 15 % private affordable
- Since 2008, the City has also sought to secure a larger portion of private family units (Family Policy of 2008 and Plan de fidélisation des familles in 2013)

Production: 70 projects between 2005 and 2015 (occupied, under construction or in the planning stage).

If all of those 70 projects were to be built, it represents approximately 44 000 units including:

- Land or turn-key project representing +/- 15 % social and community housing or financial contribution
- +/- 15 % private affordable (mainly private ownership)
- In 2012, a Fund was created in order to manage the financial contributions

Geographic Scope: Applied to whole city

Affordable Housing Set-Aside: See below

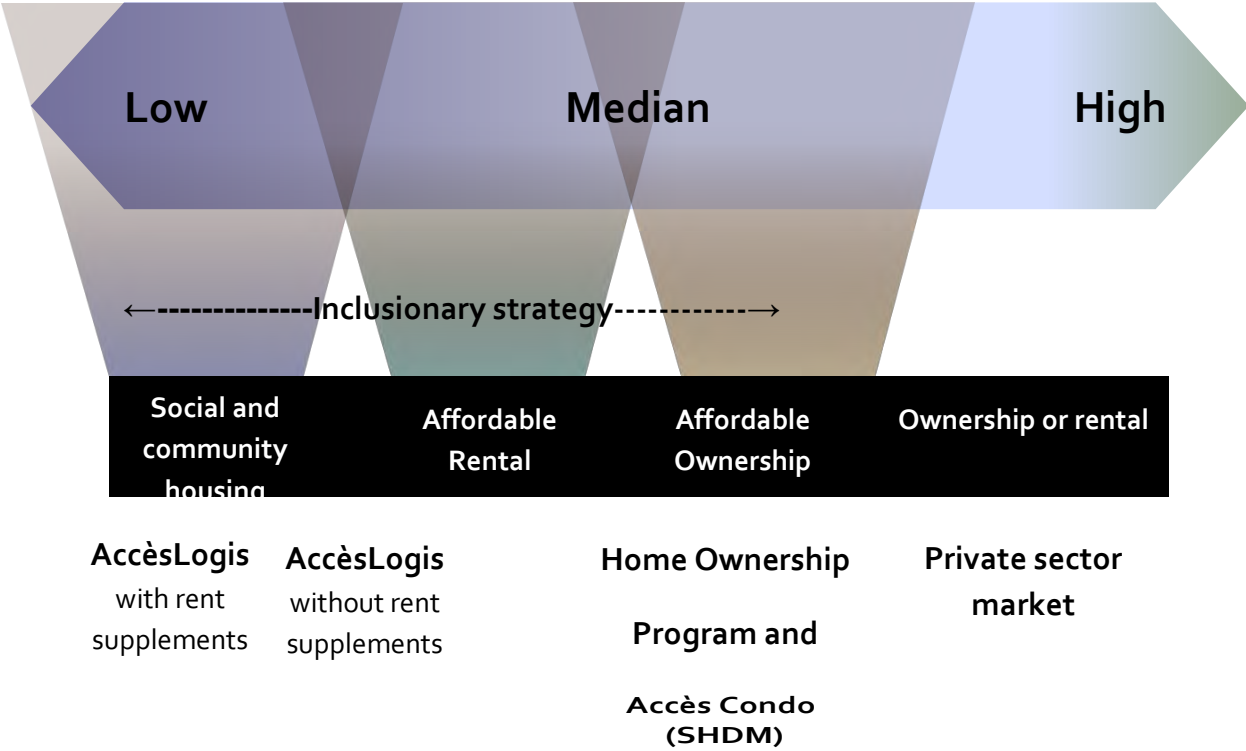
Social and community housing:

- A parcel of land on which can be built a building with a gross buildable floor area equivalent to 15 % of the gross buildable floor area of the entire project. This parcel should be sold at a reduced price (\$ 12 000/unit). If impossible on or off-site, a financial contribution equal to 20 % (of the gross buildable floor area) could be deposited into the Fund. The financial contribution is based on the market value of the land within the sector, as predetermined by the City. A financial guarantee, based on the same value is asked for each social or community housing to be provided.

Private affordable:

- Developers must sell (or rent) 15 % of the private units at or below a predetermined price (Home Ownership program or a rent scale). A financial guarantee is asked for each private affordable unit provided (5K, 10K or 20K per unit depending of the market sector).

Incomes Targeted:



Development Size Applicability: Projects of 100 units or more requiring changes to regulations concerning density, height or usage that “translate” into an increase of gross buildable floor area (prior to December 2015, the threshold was 200 units). The calculation is done on the “differential” of the residential gross buildable floor area.

Alternatives to the Provision of Land (or turn-key project) for Social and Community Housing: When the developer, the City and the concerned borough agree that it is neither possible nor relevant to include social or community housing on-site, off-site inclusion is an option. If that option is not possible, the cash-in-lieu becomes the way to achieve the goal (but then the provision is 20 %)

\$/Incentives Provided: The Strategy relies on a series of tools as follow:

- The use of municipally owned land
- The optimization of different housing programs
- Waiving or deferring some fees or extra contribution from the city for the social or community housing component.
- Adjustment of parking requirement for social or community housing
- The adaptation of city's delivery model for the production of social and community housing.

Note: There is a program for the financing of social and community housing in Quebec. The government of Québec, represented by the Société d'habitation du Québec (SHQ), finances the AccèsLogis Québec program. It aims to provide social and community housing for low- and moderate-income households and for clients in difficulty with special needs. The Ville de Montréal has an agreement to manage the program throughout its territory.

Affordability Control Period

For Social and Community Housing (AccèsLogis program)

Rental Control Period: *The nature of social and community housing protect the affordability*

For-Sale Control Period: *N/A*

Do affordability terms restart for the subsequent homeowner if the property is sold within the control period? *N/A*

Program: *The AccèsLogis Program helps finance the units (Note: It is not a standalone program)*

Administrator: *City of Montreal administers/ facilitates coordination of the AccèsLogis program to enable development, following this the units are administered (including selecting hhs) by a co-op, non-profit group or OMHM (this is Montreal's non-profit paramunicipal corporation that is managing the social units).*

Legal Mechanism: *Contract is signed b/w the city, the Provincial government and the non-profit, co-op group or the OMHM*

Homebuyer Education: *N/A*

Are there guidelines for permitted mortgage loans? *N/A*

Annual Reminder of Program Terms: *N/A*

Post-Purchase Support: *N/A*

Resale Process: *N/A*

Resale Formula: *N/A*

For Private Affordable Units Market

Rental Control Period: *The developer signs an agreement stipulating this*

For-Sale Control Period: *The developer that sells the units that are considered affordable must sell them in accordance to the limits sets in the Acquisition program (the main program that helps the household acquire a property). The resale is not 'controlled', however, the Acquisition*

program stipulates that if they resale within the first 3 years, they must reimburse a portion of the subsidy that was given to them.

Do affordability terms restart for the subsequent homeowner if the property is sold within the control period? No, a subsidy is provided to the household, not the unit. However, it must be noted that:

- we know that the condo market and the price that those units are sold are not very much lower than the market price, there is only a slight difference and sometimes, these units are small and are located on the lower floors.
- The condominium market is not favourable to “flipping”, therefore, it is considered that the household receiving the subsidy is less inclined to resale fast for a profit that would not be extremely high anyway

Program and Agreements

Administrator: City of Montreal administers this Acquisition program and also monitors all the agreement signed with developers. That includes the obligation for the developer to provide all the “deed of sale” where one can see that the units were sold under the limits price stated in our Acquisition program in order to get his financial guarantee back.

Legal Mechanism: An agreement is signed with the developers (with conditions and a guarantee regarding the first selling price or the first lease) and for the Acquisition subsidy, people need to have a document signed by a notary that says this

Homebuyer Education: N/A

Are there guidelines for permitted mortgage loans? N/A

Annual Reminder of Program Terms: No

Post-Purchase Support: No

Resale Process: The only conditions are attached to the household that have received a subsidy (first 3 years)

Resale Formula: No, only the first transaction is monitored

For private affordable units (For the AccèsCondos program)

Those projects represent a portion of the affordable units within the inclusion projects. In fact, about 10 out of the 70 projects referred to earlier include a project with AccèsCondos units.

For all the information, go to: http://acescondos.org/en/program_what-is-aces-condo/

Issues/ Lessons Learned:

- It is difficult to secure larger units i.e. for families
- Active local groups and political will, with favorable housing market is beneficial.
- It is important to have a monitoring program to evaluate progress and make adjustments as needed; therefore a flexible adaptive program is important.

CITY OF VANCOUVER

Background

In B.C., the authority to implement an inclusionary zoning policy arises from the general zoning powers specified in the Local Government Act (LGA) Section 903. The municipality may establish inclusionary zoning policy as a condition of rezoning, and developers must then indicate how to meet affordable housing requirements. However, the City of Vancouver is governed by the Vancouver Charter in which section 565.1 has a similar authority for inclusionary zoning.

In Metro Vancouver, 6 municipalities have adopted inclusionary zoning policies and two others are supportive (out of 18 municipalities). City of Vancouver has a recognized mandatory inclusionary zoning program. The 20 percent affordable housing policy was designed in 1988 to work with existing federal/provincial programs. Vancouver is exempt from the Local Government Act and has its own City Charter, it stipulates, “any development plan must include the housing policies of the Council respecting affordable housing rental housing and special needs housing.”

Place Overview

Population Estimate: In 2011, it was 603,502 but for Greater Vancouver it was 2.4 million

Policies

Name: Originally called ‘20% core need housing policy’, now referred to as ‘non-market housing policy’

Year Adopted: 1988

Policy Type: Mandatory

Production: In 2012, the City of Vancouver legislated the creation of over 2,670 affordable housing units; 800 of these units have either been built or committed to be built

Geographic Scope: Applied to whole city, for major residential projects of sufficient size.

Affordable Housing Set-Aside: Requires 20% of the units to be designated for non-market housing with at least 50% of these units geared towards families (developer provides land only)

Incomes Targeted: Priority is for core need households with gross incomes below the Core Need Income Threshold (CNIT). Selection is one either by the non-profit provider or by BC Housing through its housing registry, which is the most centralized waiting list in the province.

Assistance for Low-Income Households: Families are being helped through rent supplement program that subsidizes units in the private rental market

Development Size Applicability: 200 or more units usually

Alternatives to Construction: Developer provides land, units or cash in lieu

Cash-in-Lieu: Option added in 1994 when federal government cut funding. The cash-in-lieu are calculated as the difference between the market value of the site post-conversion (to a market unit) and the option price. The city tries to limit conversions, as a first preference, but a total of 6 conversions have occurred as of 2008. In all cases, the cash in lieu was used to purchase another affordable housing site in the same neighborhood or in an adjacent neighborhood for affordable housing.

\$/Incentives Provided: Density bonus, expedited process, development cost levis waived for affordable units

Affordability Control Period

Rental Control Period: 60 to 80 years

For-Sale Control Period: 60 to 80-years

Do affordability terms restart for the subsequent homeowner if the property is sold within the control period? N/A

Program

Administrator: City of Vancouver owns and administers/ facilitates coordination to enable development (housing production) using BC Housing; following this the units are administered by non-profit groups.

Legal Mechanism: Housing agreements ensure long-term affordability (including restrictive covenants placed on the unit to control occupancy or resale i.e. who holds covenant, presence of a buy-back option, buyer eligibility criteria, timetable for making the sites available and for how long affordability is preserved).

Homebuyer Education: N/A

Are there guidelines for permitted mortgage loans? N/A

Annual Reminder of Program Terms: N/A

Post-Purchase Support: N/A

Resale Process: Vancouver obtains 80 year “options to purchase” on the sites that allow the City to buy the sites at a price consistent with Federal/Provincial social housing programs. The City partners with BC Housing and contributes to the development process by purchasing the sites and then leasing them to non-profit sponsors for 60 years, originally at 75 percent of freehold market value.

Resale Formula: Note above

Issues/ Lessons Learned:

- It is difficult to address affordability for those in dire need (low), given that much subsidy must be provided.
- The Vancouver experience has reinforced the view that developers prefer the cash in-lieu option because this precludes any chances that costs will escalate as the project progresses (less risky and more certainty).
- Funding administrative costs is a major challenge, especially as the program grows and the staffing requirements grow with it as the number of units that require monitoring increases.

CITY OF BOSTON

Background

While IZ policies are not mandatory for municipalities in Massachusetts, the state’s Comprehensive Permit Act: Chapter 40B allow developers of affordable housing to override certain aspects of municipal zoning bylaws and other requirements. Under Chapter 40B, in any municipality where less than 10% of its housing qualifies as affordable under the law, a developer can build more densely than the municipal zoning bylaws would permit, allowing more units per acre of land when building a new development, if at least 25% of the new units have long-term affordability restrictions.

The City of Boston is the capital and the largest city of Massachusetts and was the former seat of Suffolk County until county (regional) government was disbanded in 1999. The City has four at large councillors who are elected to represent the entire city; in addition there are nine district city councillors who represent the nine districts of the city.

The Boston Redevelopment Agency (BRA) is the urban planning and economic development agency for the City of Boston tasked with growing the tax base, cultivating the private jobs market, training the workforce, encouraging new business to locate in Boston and existing businesses to expand, planning the future of neighborhoods with the community, identifying height and density limits, charting the course for sustainable development and resilient building construction, advocating for multi modal transportation, responding to the city's changing population, producing insightful research on our City, and ensuring Boston retains its distinctive character.

The city is divided into 3 zones, A, B and C for the purpose of administering the Inclusionary Development Policy by housing cost relative to city average and each zone will have specific requirements related to IDP units built off-site as well as cash in lieu contributions.

Place Overview

Population Estimate: In 2015, population is estimated at roughly 667,137 and the wider metropolitan area population was 4.6 million

Policies

Name: The Inclusionary Development Policy

Year Adopted:

- February 2000: An Order Relative to Affordable Housing established by Executive Order (Mayor)
- January 2015: BRA adopts Enhancement and Changes to Affordable Housing Compliance and Monitoring
- Between 2000 and 2015, the BRA amended and enhanced the Inclusionary Development Policy by introducing more guidance and refining the formulas numerous times based on policy results

Policy Type: Mandatory.

Production: Since 2000, 568 affordable new owner units and 1,456 affordable new rental units were secured and \$118,807,098 was secured as cash in lieu.

Geographic Scope: Applies to whole city, but differently based on the Inclusionary Development Policy (IDP) Zone Designations which are based on the median value of homes in the neighbourhood compared to the rest of the city. These zones are A – top third of citywide values, B – middle third of citywide values and C – bottom third of citywide values.

Affordable Housing Set-Aside:

The IDP program in effect today requires that each project provide affordable units in an amount not less than fifteen percent (15%) of the number of market rate units in the project, or ~13.04% of total units.

Alternatively, Developers with the approval of the BRA, can also meet their affordable housing obligations;

- By building 15% of the units off-site;
- Or providing an Affordable Housing Contribution equal to the number of affordable units required for the project multiplied by the Affordable Housing Cost Factor (\$200,000)

Summary Table

IDP Component	Zone A	Zone B	Zone C
On-Site	13% of total units	13% of total units	13% of total units
OffSite	18% of total in vicinity	18% of total in vicinity	15% of total in vicinity
CashOut Condo	18% of total at 50% of price differential (\$380,000 floor)	18% of total at 50% of price differential (\$300,000 floor)	15% of total at 50% of price differential (\$200,000 floor)
CashOut Rental	18% of total at \$380,000	18% of total at \$300,000	15% of total at \$200,000

Incomes Targeted:

- The housing units provided through the IDP are targeted towards moderate to middle income households.
 - Rental units are made available to households earning up to 70% of Area Median Income (AMI).
 - Homeownership units are made available to households earning 80% and 100% of AMI. Half of the units for 80% AMI and the other half for 100% AMI households.
- Other programs funded by federal, state and local funds provide assistance to households of lower incomes (up to 60%)
 - Managed by other government agencies and non-profits
 - Homelessness
 - Public housing
 - Rental vouchers
 - Financing for low to moderate income projects

What is done to support low and very low income households:

Other programs funded by federal, state and local funds provide assistance to households of lower incomes (up to 60%)

- Managed by other government agencies and non-profits
- Homelessness
- Public housing
- Rental vouchers
- Financing for low to moderate income projects

Development Size Applicability: 10 or more units, for both rental and ownership projects

Alternatives to Construction: Developer provides units offsite or contributes to IDP fund (cash in lieu)

Conditions for units offsite: offsite constructions are allowed but requires a larger percentage of affordable units

How is Cash in Lieu Calculated: calculated differently based on zone and unit type (ownership vs rental)

How much Cash in Lieu Generated: As of December 2015, over \$118 million committed (\$79 million collected, \$39 million in the pipeline) since 2000

How Cash in Lieu is collected used: (building units, reserve funds, etc.):

Cash in lieu is put into an Inclusionary Development Policy (IDP) fund which is used to fund qualified affordable housing developments

\$/Incentives Provided: zoning relief subject to negotiation

Affordability Control Period

Rental Control Period: Currently, the BRA requires an initial 30 years of affordability, with the right to renew for 20 years. The BRA reserves the right to seek an affordability restriction of up to 99 years.

For-Sale Control Period: Currently, the BRA requires an initial 30 years of affordability, with the right to renew for 20 years. The BRA reserves the right to seek an affordability restriction of up to 99 years.

Do affordability terms restart for the subsequent homeowner if the property is sold within the control period? N/A

Program

Administrator: The City of Boston and the Boston Redevelopment Authority (BRA)

Support: N/A

Legal Mechanism: Contract is signed b/w developer and the BRA

Homebuyer Education: N/A

Are there guidelines for permitted mortgage loans? N/A

Annual Reminder of Program Terms: N/A

Post-Purchase Support: N/A

Resale Process: Unknown (not sure how it is enforced)

Resale Formula:

- The maximum permitted resale price for any unit is based upon its initial sales price increased at a standard rate of 5% per year. Allowance is also made for the capital improvements made by the owner, and the realtor and sales-related fees.
- The 5% figure was selected because it was the average of the increase in residential property values in the city between 1970 and 2000.
- If this permitted rate of increase ever allows the resale price to rise above what is affordable to the targeted incomes, BRA will consider three options: 1) purchasing the unit and selling at a lower affordable price, 2) allowing a higher income buyer for the unit; or 3) providing down payment assistance to the eligible buyer to make the unit affordable.

Issues/ Lessons Learned:

- Different levels of affordable housing contributions can be requested of developers in different areas of the jurisdiction based on local housing market conditions
- The program introduced two practices, not seen in the earlier green-field programs, but followed in some way by all of the later big-city programs. These two new practices involve using negotiations to determine the cost-offsets, and applying the affordable housing requirements through the re-zoning process.
 - Regarding the first, the city allows for negotiating the appropriate permitted density and other regulatory concession on a case-by-case basis, while firmly fixing the affordable housing requirement. The earlier green-field programs typically fixed both sides of the equation – the housing requirement and the available concessions and consequently do not provide for or depend on negotiation.
 - Regarding the second, the city applies its affordable housing requirement only on developments needing some zoning relief or otherwise receiving some benefit from the city. In contrast, the greenfield programs typically apply the requirement to all developments, including those proceeding as-of-right.
- The success of Boston’s approach depends on how much of the new development requires a re-zoning. Due to the city’s archaic zoning system, virtually all new development needs some type of zoning relief. So, the program in effect captures all new development.

WASHINGTON, DC**Background**

The District of Columbia comprises of 8 wards, each with its own local council. The Council of the District of Columbia is comprised of 8 ward councillors, 4 at large councillors and a mayor. The city government has jurisdiction over most city-wide functions, including social housing funding and development. There are 37 Advisory Neighborhood Commissions (ANCs) elected by small neighborhood districts. ANCs can issue recommendations on all issues that affect residents; government agencies take their advice under careful consideration. Congress maintains supreme authority over the city and may overturn local laws.

Washington DC is a federal district and as such has a unique governance structure due to the lack of State or County government.

Governance of land use in Washington, DC, is not wholly the authority of local agencies. Although the District's local Zoning Commission is empowered to issue zoning ordinances, the planning of the District incorporates district, federal, and regional elements. The Mayor of the District of Columbia (and the District of Columbia's Zoning Commission) has the central authority for district planning. The National Capital Planning Commission acts as the central federal planning agency, with authority to approve or deny any federal building projects in the region and consider design and location criteria with the aim of preserving historic sites and open space. Though the NCPC does not have the authority to approve or deny non-federal projects, the NCPC may review the District's planning to prevent any negative impact on the interests or functions of the federal establishment within the National Capital. The District zoning regulations also must not be inconsistent with the NCPC's Comprehensive Plan for the National Capital. Additionally, proposed regulations or amendments to the zoning regulations must be submitted to the NCPC for comment and review. Finally, the NCPC does not have authority to issue zoning regulations, but may submit proposed regulations or zoning amendments to the Zoning Commission.

Place Overview

Population Estimate: In 2015, 672,228 and the wider metropolitan area population was 6 million

Policies

Name: Inclusionary Zoning Program

Year Adopted: policy adopted in 2006 and regulation finalized in 2009

Policy Type: Mandatory

Production: As of May 2014, 477 affordable IZ units in 57 projects have been constructed, are under construction, or are planned. The majority of IZ units thus far, 82 percent, are rental. Of the rental units, 33 have been leased as of May 2014. Only 72 out of the 477 inclusionary units (approximately 15 percent) are designated for homeownership. Six homeownership units have gone to market and four out of the six have been sold as of May 2014.

Geographic Scope: Applied to whole city, except the following exemption areas and uses;

- Exemptions
 - Uses: Dormitory, Hotels, Diplomatic Housing, Boarding/Rooming houses, CBRF
 - Geographic:
 - Zones: C-4, C-5, R-5-E, M & CM
 - Overlays: DD, TDR, SEFC, NO/C-2-A, ES
 - Historic Districts: Georgetown W-2, Anacostia R-3
 - Projects:
 - PUDs set down for public hearing prior to the effective date
 - BZA orders published prior to effective date
 - Building Permit issued prior to the effective date

Affordable Housing Set-Aside: The Greater of 8% to 10% of the residential use or 50% to 75% of the bonus density achieved depending on zoning and construction type

Incomes Targeted: IZ targets households earning less than 50% of AMI and between 50% and 80% of AMI depending on zoning and construction type. Current income levels according to family size are based on HUD's 2009 AMI for the region of \$102,400

What is done to support low and very low income households:

Other programs are available such as public housing or housing voucher programs, which provide direct rent subsidies to extremely low-income households

Development Size Applicability:

- New Construction of 10 or more units
- Additions that expand a building's residential FAR by 50% or more and adds 10 or more units
- Most Residential and Mixed-Use/Commercial Zones
 - R-2 to R-5-D
 - C-1 to C-3-C
 - CR, SP, & W

Alternatives to Construction: developer may build IZ units off site with special exception from the Board of Zoning Adjustment.

Conditions for units offsite: offsite compliance of Inclusionary development requires the approval of the Board of Zoning adjustments. Off-site by special exception for Projects with exceptionally high condo fees, or with expensive or specialized social services, or Rental use is no longer economically feasible

\$/Incentives Provided: housing is created without subsidy from the Housing Production Trust Fund (HTFP) or other scarce public resources. No incentives given.

Affordability Control Period

Rental Control Period: permanent

For-Sale Control Period: permanent

Do affordability terms restart for the subsequent homeowner if the property is sold within the control period? n/a, the DHCD is responsible for keeping track of all IZ units and in DC, all IZ units (rental and ownership) are permanently allocated toward the affordable housing stock

Program

Administrator:

- Department of Housing and Community Development (DHCD)
 - Receives Notice of Availability from developer for IZ and ADU units
 - Maintains the Housing Locator Registration
 - Administers the Lottery Registration and Selection
 - Provides training about IZ program through third-party providers (Community-Based Organizations)
 - Markets the IZ program, lottery, and available IZ rental units (and the initial sale of the for-sale unit)
 - Facilitates with closing procedures
 - Reports on program requirements and progress in IZ Annual Reports
- Department of Consumer and Regulatory Affairs (DCRA)

- Approves the Certificate of Inclusionary Zoning Compliance
- Issues the Building Permit
- Issues the Certificate of Occupancy
- With DHCD, reports on program requirements and progress
- Office of Planning (OP)
 - Reports on program requirements and progress in IZ Annual Reports
 - Tracks development pipeline
 - Analyzes policy
- Office of Zoning
 - As part of the Certificate of Inclusionary Zoning Compliance Process, reviews the proposed finish schedule to ensure that the development complies with regulations, and that the finishes and appliances in IZ units are comparable to market-rate units.
- Board of Zoning Adjustment (BZA)
 - Can approve offsite compliance for another Inclusionary Development, per a Board of Zoning Adjustment order

Support: N/A (IZ program is administered and reviewed exclusively by a series of government departments)

Legal Mechanism: DHCD must approve Inclusionary Development Covenant with the owner of the development.

Homebuyer Education: yes

- Current requirements: Households must attend a two-hour course providing an overview of the IZ program before registration. Households must also attend a homeownership-counseling course if they wish to purchase a unit.
- Proposed requirements: DHCD has contracted with Urban Pace and Mi Casa to provide an in-depth, eight-hour long homeownership course so that homeowners receive more in-depth information about the program, including resale restrictions. One key informant suggested a written manual be offered so that program applicants have a document that they may easily refer to for guidance.

Are there guidelines for permitted mortgage loans? Yes, Inclusionary homeowners cannot spend more than 41 percent on mortgage payments, insurance, real property taxes, and condo/homeowner association fees. If the cost of the up front or recurring costs (e.g., homeowner association or condominium fees) of for sale inclusionary unit is 10 percent or more than the maximum price in the Rent and Price Schedule, then DHCD may lower the initial maximum price in order to maintain the affordability standards.

Annual Reminder of Program Terms: N/A

Post-Purchase Support: No, but the municipality is looking into introducing some sort of formal support by working with community-based organizations

Resale Process: Yes

The maximum resale prices are based on the original purchase price; times an appreciation factor (F). The seller can also add 100 percent of the value of any eligible capital improvements and 50 percent of eligible replacement and repair costs, as determined by DHCD, to the maximum resale price.

Maximum resale price = (Original purchase price X F) + Eligible capital improvements, replacement, and repair costs

The appreciation, F, is defined by this formula. $F = (1 + n \sum_{k=y}^{m} \frac{AMI_y - AMI_{y-10}}{AMI_{y-10}})^n$

Where AMI_y and AMI_{y-10} are the HUD area median income in years y and y-10, respectively; m is the year of original purchase; k is the year of the subsequent resale; and n is the number of years, or (k – y) + 1.

Resale Formula: Yes

Issues/ Lessons Learned:

- In addition to IZ, DC also has an Affordable Dwelling Units (ADU) that was created earlier than IZ without a regulatory framework, and has produced roughly 2,000 units since its inception. Developers negotiate to build ADUs, typically in exchange for zoning relief, tax incentives, public financing, or the right to purchase or lease District-owned land. They negotiate the number of units, affordability levels, and affordability period in order to get the relief they want, and each developer's agreement with the District is different. (This is similar to section 37)
- Inclusionary Zoning is an important part of DC's affordable housing continuum, producing new affordable housing units often in locations that are high cost and highly competitive. The housing is created without using subsidy from the Housing Production Trust Fund (HTFP) or other scarce public resources. In minimizing the direct subsidy needed to produce homes affordable to moderate and low income households (earning 50% and 80% of AMI), the city maximizes the amount of subsidy available to produce housing for very low and extremely low income families. It is important that the city be able to focus its direct subsidy funds on assisting the lowest income families because they face by far the greatest housing challenges. Ideally, DC would create as much below market rate housing as possible through IZ and other off-budget approaches such as public land dispositions and alley closings because they do not have a direct financial cost to the city.
- Until recently IZ was the only DC affordable housing program that guaranteed permanently affordable units. Fortunately, the public land disposition bill, which was passed in late 2014, will also guarantee permanent affordability for the units produced under that program. Permanent affordability is not just important for rental units, but also for homeownership where affordability policies like what we have in IZ and public lands can more than double the number of homeowners assisted over time from the same initial investment.
- IZ cannot easily create units for extremely low-income households (30% of AMI) because it is very difficult to finance those developments using just zoning tools. At that income level, developments need capital and/or rental subsidies, and in some cases services subsidies to make them affordable and sustainable to extremely low income households. IZ does, however, relieve pressure on the market by creating units that moderate income households can afford. Moderately-priced IZ units expand options for households who otherwise would out compete lower income residents for low priced homes. In addition, IZ can do more at the lower end of the income range if the Mayor, DC Housing Authority, and non-profits could more easily buy IZ units (say, those at the 50% of AMI level), then add rental and/or services subsidies and make them available to extremely low income households.

CITY OF SAN DIEGO

Background

The State of California's Legislature has adopted a variety of laws to encourage and facilitate the development of affordable housing. In addition, the Legislature has charged cities with identifying actions that will be taken to make sites available for affordable housing and to assist in the development of such housing.

The City of San Diego is comprised of 9 wards, with city council comprised of 9 councillors and a mayor. The mayor is in effect the chief executive officer of the city, while the council is the legislative body. The City of San Diego is responsible for police, public safety, streets, water and sewer service, planning and zoning, and similar services within its borders.

Place Overview

Population Estimate: According to the 2010 Census, the city has a population of roughly 1.3 million and a wider metropolitan area population of 3.1 million

Policies

Name: Inclusionary Housing Program

Year Adopted: 1992 for the North City Future Urbanizing Area (FUA) before being introduced to the entire city in 2003. Most recently amended in 2011.

Policy Type: Mandatory

Production: over 1,200 units from 1992 to 2003 (recent info not available)

Geographic Scope: Applied to whole city, but the required percentage of affordable housing is different in Future Urbanizing Areas (FUA)

Affordable Housing Set-Aside:

All residential development of two or more units is required to pay an inclusionary affordable housing fee (see Table 1 and 2 below). The amount of this fee is the product of the applicable square foot charge (i.e., the rate) multiplied by the aggregate gross floor area, as defined in the San Diego Municipal Code, of all of the units in the development (excluding garages, carports, and other parking structures).

The Inclusionary Affordable Housing Ordinance requires all residential developments of ten or more units to include a 10 percent affordable housing component. The inclusionary housing requirement is higher for housing developers in the North City Future Urbanizing Area, who must dedicate 20 percent of their units to affordable buyers or renters. Developers converting 20 or more apartment units to for-sale condominiums are also required to set aside 10 percent of the units for residents with incomes at or below 100 percent of the Area Median Income.

Incomes Targeted: rental units are set aside for households earning at or below 65 percent of the AMI; for-sale units are set aside for households earning at or below 100 percent of the AMI

Development Size Applicability:

The ordinance requires all residential developments of ten or more units to include a 10 percent affordable housing component. The FUA is exempt from the citywide ordinance and will continue to

adhere to the 1992 FUA inclusionary zoning framework which ask for a 20 percent affordable housing component

Alternatives to Construction: Developers can opt to make a fee-in-lieu payment, which is based on the square footage of an affordable unit compared to the gross square footage of the entire project. Upon approval from the plan commission and the city council, the inclusionary housing requirements also can be satisfied by providing the same number of units at another site within the same community planning area.

Conditions for Units offsite: in same community planning area, or outside community planning area with variance

How is Cash in Lieu calculated: \$4.98/sq. ft. for projects w/ 10+ units, \$2.49/sq. ft. for projects w/ <10 units

How much Cash in Lieu Generated: no data

How Cash in Lieu collected is used: (building units, reserve funds, etc.): no data

\$/Incentives Provided: eligible for expedited permit processing thru the Affordable/Infill Housing and Sustainable Buildings Expedite Program. The city opted to not offer cost offsets, such as fee waivers or density bonuses, because developers can easily cover the cost of affordable units through the sale of market-rate units, according to an economic analysis conducted for the housing commission.

Affordability Control Period

Rental Control Period: 55 years

For-Sale Control Period: none, but equity from first time sale of affordable ownership unit is split with San Diego Housing Commission (SDHC).

Do affordability terms restart for the subsequent homeowner if the property is sold within the control period? n/a

Program

Administrator: San Diego Housing Commission (SDHC) administers the Inclusionary Housing program and works with the city's Planning/Development Services Department to facilitates and coordinate with the developer. The Chief Executive Officer of the San Diego Housing Corporation is responsible for determining targeted rental and ownership affordability, resident qualifications, and monitoring the program. There are two groups responsible for administering the program; the Compliance Monitoring Department monitors affordable units for rental properties and monitor owner compliance with affordable rents and tenant income eligibility for the term of the agreement(s). They also review tenant applications for initial eligibility then certify continued eligibility annually. The owner is also required to submit initial and annual reports to show compliance. The Loan Management/Real Estate Department oversees the occupancy and compliance monitoring requirement for all Affordable for Sale Housing Programs, including those funded under the Inclusionary Housing Ordinance.

Support: N/A

Legal Mechanism: a Declaration of Covenants is signed b/w developer and SDHC

Homebuyer Education: Yes, homebuyer assisted by SDHC must attend a homebuyer education class

Are there guidelines for permitted mortgage loans? N/A

Annual Reminder of Program Terms: n/a

Post-Purchase Support: n/a

Resale Process: The equity in a for-sale affordable housing unit shall be shared between the owner and the San Diego Housing Commission in an amount based upon length of ownership at the time of the first resale. Most of the affordable units sold under the Inclusionary Housing Ordinance are restricted to the first buyer only. Once the property is resold, the Housing Commission will be repaid the amount due under the terms of the affordable documents and the restrictions will be released.

Resale Formula: The City devised an incremental system by which equity is shared. A homeowner is entitled to a large share of the equity for each year of ownership. City is also entitled to first right of refusal on any affordable for-sale units

Issues/ Lessons Learned:

- This Inclusionary Housing program only seem to provide housing for households and individuals with medium income or more (at or below 65% Area Median Income for rental, 100% for owner-occupied units)
- The City tested their inclusionary housing policy in their Future Urbanizing Areas first before expanding the program to the rest of the city
- The ordinance required that on-site affordable units be comparable to the market-rate units in bedroom mix, design, and overall quality of construction with the exception that the affordable units do not have to exceed three bedrooms
- There are no incentives or cost offsets provided to developers for building affordable units because developers can easily cover the cost of affordable units through the sale of market-rate units, according to an economic analysis conducted by a private firm for the Housing Commission

11. Appendix II – Ontario Municipal Board Cases and Section 37 City Requests

York (City) Official Plan Amendment No. 128 (2000), 40 O.M.B.R. 68

In this particular case, the public benefit was the replacement of 246 private affordable rental apartment units with 146 new private affordable rental apartment units. The OMB agreed with the city that bonusing provisions are appropriate so long as there are no serious adverse impacts on the neighborhood.

1430 Yonge Street Inc. v. Toronto (City) (2003), 46 M.P.L.R. (3d) 189 (O.M.B.).

The municipality sought three public amenities: the provision of an alternate vehicle entrance as part of the design of the building and two cash payments related to improvements to a park in the area and for the provision of a “dog fountain” in a nearby public space. The developer resisted the requests related to the park improvements and the dog fountain arguing that those benefits were not warranted by the additional density and were unrelated to the development.

The O.M.B. disagreed and upheld the city’s section 37 request.

Duca Financial Credit Union Ltd. v. Toronto (City) (2005) O.M.B.D. No. 0255

This case was about how much section 37 fees should be paid in exchange for the proposed increase in density. The board found in favour of the city, to set land valuations based on the city’s calculation.

Elderbrook Developments Ltd. V. North York (City) (2005) O.M.B.D. No. 980

The city requested was seeking approximately \$500,000 as a contribution for securing a floor for community space. The city was also seeking public art contribution of approximately, \$400,000. The board sided with the city regarding the community space, as the city was able to show continued effort to gain that space. However, the board sided with the applicant on the issue of public art contribution, as the development was not seen as a major development in Metropolitan Toronto.