

Affordable Housing Program

MUNICIPAL BEST PRACTICES



CONTENTS

Executive Summary	1
Introduction.....	3
Direct Service Delivery	4
1. Housing Development Corporation/ Municipal Services Corporation.....	4
Municipal Regulatory and Process Tools.....	6
Reducing Length of Approvals	7
2. Official Plan and Zoning Measures.....	7
3. Fast-Tracking Development Approval Process.....	9
4. Development Permit System	11
5. Public Education and Community Outreach Programs.....	13
Modifying Development Standards.....	14
6. Alternative Development Standards.....	14
Creating Opportunities for Provision of Affordable Housing.....	17
7. Density Bonusing.....	17
8. Inclusionary Zoning	20
9. Remove Barriers and Incent Creation of New Second Units	23
10. Permit Garden Suites and Laneway Housing.....	26
11. Prohibit Downzoning	28
Retaining Existing Rental Housing Stock	29
12. Demolition and Conversion Control.....	29
Enabling Legislation for Municipal Incentives	32

13. Municipal Capital Facilities Agreements	33
14. Community Improvement Plans	35
Land-Based Incentives	37
Providing Land at Reduced Cost.....	38
15. Providing Land	38
a. Land Leases/ Ground Leases	38
b. Donated City-Owned Land	38
c. Providing Land at Below Market Value	38
Securing and Holding Land	41
16. Housing First Policies for Surplus Public Land.....	41
17. Large Sites Policy	43
18. Land Banking	45
Integrating Affordable Housing with Community Facilities	47
19. Mixed-Use Community Facilities.....	47
Financial Incentives	50
Incentives to Reduce Capital Costs.....	51
20. Municipal Planning and Building Fees	51
21. Development Charges	51
22. Parkland Dedication / Cash-in-Lieu	51
23. Capital Loans and Grants.....	54
Incentives to Reduce Ongoing Costs.....	58
24. Property Tax Equalization for New Rental Construction/ Property Tax Exemption	58
25. Tax Increment Equivalent Grants	61
26. Tax Increment Financing	64

Mechanisms to Create a Capital Fund to Provide Incentives.....	67
27. Housing Trust Funds	67
28. Levy on Property Tax for Affordable Housing.....	70
29. Sale of Air Rights/ Transfer of Development Credits.....	72
30. Land Value Capture.....	75
Evaluating Municipal Tools in the Mississauga Context.....	77
Conclusion and Next Steps.....	85

EXECUTIVE SUMMARY

In November 2015, Mississauga City Council directed staff to examine strategies to increase the supply of affordable housing. This Municipal Best Practices Report is the result of one of the tasks identified as part of the Affordable Housing Program.

The Municipal Best Practices Report is an environment scan of a range of regulatory, land-based and financial tools available to municipalities to encourage the development of affordable housing. The report also includes case studies for each tool to provide examples of how these tools have been implemented in both Canadian and international jurisdictions. This report does not include strategies aimed at providing households with low incomes the ability to compete for housing units in the private housing market, such as income subsidies and direct housing choice vouchers. Instead, it focuses on what municipalities can do to encourage the creation of new affordable housing units.

GUIDING PRINCIPLES

A set of guiding principles were developed to help guide the selection and evaluation of tools to determine their effectiveness in increasing the supply of affordable housing as well as their applicability to the City of Mississauga.

These guiding principles are:

- Represents good planning
- Creates affordable housing for the long term

- Incorporates a self-sustaining financial model
- Provides good value for public investment

Although the list of tools is comprehensive it is not necessarily exhaustive. The 30 tools that are presented in this report include the tools that are most widely used and the most applicable in a municipal context in Ontario.

MUNICIPAL TOOLS

The 30 municipal tools presented in this report include tools in each of the following categories:

- Direct Service Delivery
- Municipal Regulatory and Process Tools
 - Official Plan and Zoning Measures
 - Reducing Length of Approvals
 - Modifying Development Standards
 - Creating Opportunities for Provision of Affordable Housing
 - Retaining Existing Rental Housing Stock
- Enabling Legislation for Municipal Incentives
- Land-Based Incentives
 - Providing Land at Reduced Cost
 - Securing and Holding Land
 - Integrating Affordable Housing with Community Facilities
- Financial Incentives
 - Incentives to Reduce Capital Costs
 - Incentives to Reduce Ongoing Costs
 - Mechanisms to Create a Capital Fund to Provide Incentives

EVALUATING MUNICIPAL TOOLS IN THE MISSISSAUGA CONTEXT

An evaluation of each of the tools was undertaken based on the ease of implementation of the tool. This analysis considered a number of factors including implementation and operational costs for the municipality, current legislative authority, municipal powers, and other factors. Each tool was also prioritized for implementation.

CONCLUSION AND NEXT STEPS

There are a large number of tools available to municipalities like Mississauga to encourage the development of affordable housing. While each tool can be implemented individually, a combination of different tools would bring about a more significant effect in terms of adding to the supply of affordable housing in a community. Flexibility in implementing these tools is also a vital component of an affordable housing strategy. This can be done by developing a ‘toolbox’ or ‘menu of tools’ from which incentives can be selected based on the current need, the degree to which the proposed project meets the identified need and the level of affordability of the proposed project.

The next step in the process is to undertake a cost-benefit analysis of each of the tools identified as “high” priority for further investigation. The evaluation process should also include further consultations with the Affordable Housing Advisory Panel and other housing stakeholders. Once a draft ‘tool box’ has been developed and endorsed by Council,

education and communication initiatives should be undertaken to raise awareness of the availability of these tools. Pilot projects could also be considered to test the effectiveness of these tools in the Mississauga context.

INTRODUCTION

This report presents an environment scan of a range of financial and regulatory tools available to municipalities to encourage the creation of affordable housing. The report also includes case studies for each tool to give examples of how these tools have been implemented in both Canadian and international jurisdictions. This report does not include strategies aimed at directly addressing the income gap experienced by low and moderate households. The study focuses on what municipalities can do to increase the development of affordable housing to address the supply gap.

GUIDING PRINCIPLES FOR EVALUATING TOOLS

The following principles were developed to help guide the evaluation of each tool to determine their effectiveness in increasing the supply of affordable housing as well as their applicability to the City of Mississauga.

1. Represents “good planning”
 - Supports healthy, age-friendly and complete communities
 - Encourages a diversity of housing types, tenures and socio-economic mix
 - Supports a range of official plan objectives (e.g. transit, employment, growth in appropriate locations)
2. Creates affordable housing for the long term
 - Units remain affordable in perpetuity or on a long term basis
3. Incorporates a self- sustaining financial model
 - Requires no or limited on-going financial commitment from the municipality Provides good value for public investment in terms of required municipal resources and units created

DIRECT SERVICE DELIVERY

1. Housing Development Corporation/ Municipal Services Corporation

Local governments may establish a Municipal Services Corporation (MSC) or a City Service Corporation (CSC) in the City of Toronto, for most services that municipalities could deliver themselves. Municipalities would decide if a corporation is the appropriate vehicle for delivering certain types of services and address any related legal or practical issues, such as financing or bonusing.

In order to establish an MSC or CSC, a business case must first be adopted and it is up to municipal council to determine the specific details of its business case. The power to create an MSC / CSC cannot be delegated from municipal council.

Municipalities may implement special levies (often called area rates) for an MSC for defined economic development services. These levies would then be collected in a specific area and transferred to the MSC. Economic development services may include:

- Acquisition, development and disposal of sites for residential, industrial, commercial and institutional uses
- Provision of housing
- Undertaking of community improvements
- Improvement, beautification and maintenance of municipally-owned land, buildings and structures.

Advantages

Disadvantages

- A single municipal services corporation coordinating and leveraging all available resources and incentives can help increase use and effectiveness of City funding and incentives available
- Involving a more cross-sectoral group of stakeholders can enhance the effectiveness of responses to emerging opportunities for affordable housing development

- Implementing an MSC or CSC can be lengthy and resource-intensive at the outset
- As municipal budgets become more constrained, cities are increasingly looking to public-private partnerships to deliver affordable housing rather than delivering this service themselves.

LEGISLATIVE REQUIREMENTS

Municipal Act, 2001 (s.203)

CASE STUDIES

City of London

In 2014, the City of London approved a Housing Development (HDC) would assist in stimulating the development and sustainability of affordable housing throughout the London and Middlesex communities. The London HDC was incorporated under the *Business Corporations Act* (Ontario). It provides a known and transparent accountability framework in which the City would act as sole shareholder, appoint a Board of Directors, and set reporting mechanisms. A BCA provides flexibility should the City ever wish to repatriate funds from the HDC to the City through a shareholder dividend. The HDC would collaborate with all three sectors to create and sustain affordable housing and stimulate economic growth. Some of the key activities that the HDC would engage in included:

- Coordinate deployment of government funding
- Enhance and better utilize municipal incentives
- Regenerate public housing stock
- Establish revenue generating activities
- Explore and initiate innovative financing and investment tools
- Unite collaborators

FURTHER CONSIDERATIONS

This tool may be more appropriate for the Region of Peel as Service Manager.

ADDITIONAL INFORMATION

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

MUNICIPAL REGULATORY AND PROCESS TOOLS

REDUCING LENGTH OF APPROVALS

2. Official Plan and Zoning Measures

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Eliminates significant risk and reduces time and costs for developers ▪ May be more favourable from a financing perspective ▪ Community opposition is addressed comprehensively at the outset rather than on a case-by-case basis ▪ Reduces OMB appeals ▪ Can be combined with other tools e.g. social housing levy to recoup a portion of land lift 	<ul style="list-style-type: none"> ▪ Requires considerable resources and study upfront ▪ May not be possible to tailor an appropriate zoning by-law to suit a larger mature context ▪ May limit a municipality's ability to require developer to pay all costs associated with development ▪ As-of-right zoning may result in unforeseen impacts ▪ Removes ability to seek Section 37 community amenity contributions

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

City of Mississauga - Second Unit Zoning By-law

In 2013, City Council approved a zoning by-law (0158-2013) which permits a second dwelling unit in the following housing forms: a detached, semi-detached, or linked dwelling, a street townhouse or a townhouse on a private road in a common element condominium

subject to certain zone standards. By pre-zoning to allow second units there are lower costs and increased incentives for the homeowner or investor to create them. To date more than 140 second units have been created.

City of Mississauga - Infill of Existing Apartment Sites

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

District of Squamish, BC

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

ADDITIONAL INFORMATION

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

3. Fast-Tracking Development Approval Process

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ The expediting or fast-tracking of affordable housing developments means construction can start sooner and financing costs will be lower ▪ For all residential developments, faster approvals mean that the costs of developing housing are decreased, and that if savings are passed on to consumers, this will result in housing that is more affordable ▪ A more efficient approval process makes for a more efficient use of developer and municipal staff time and resources ▪ Shorter approval times can reduce development risk 	<ul style="list-style-type: none"> ▪ The implementation of a more efficient and/or automated system requires more client and staff training, and sometimes involves high upfront implementation costs for the municipality ▪ Monitoring is required to ensure that a reduction in approval times is not the result of a decrease in the quality of planning and design decisions

LEGISLATIVE REQUIREMENTS

Planning Act (s.70.2)

CASE STUDIES

Saskatoon, Saskatchewan

Saskatoon adopted a Priority Review Process to support the creation of new affordable housing. Non-profit affordable housing providers often struggle to meet their extensive list of funding deadlines to ensure that a housing development can be financially feasible and sustainable. Funding for a project can be revoked if building permits and other permits take too long. Without a great deal

of experience in development and permit application, it is difficult for non-profit groups to act with haste during the development process, potentially slowing down the approval process. The City of Saskatoon assists affordable housing developers in reducing their time spent waiting for permits and approvals from the City by moving their projects to the highest priority in the application review process.

City of Toronto

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

FURTHER CONSIDERATION

Reducing the length of the approval process would result in a low direct cost for municipalities while the impact on affordability may be medium.

ADDITIONAL INFORMATION

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

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

City of Toronto (2016). Gold Star service to guide and expedite development. Accessed from:

<http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=8df89c14cf84c310VgnVCM10000071d60f89RCRD&vgnextchannel=b03032d0b6d1e310VgnVCM10000071d60f89RCRD>

4. Development Permit System

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ The expediting or fast-tracking of affordable housing developments means construction can start sooner and financing costs will be lower ▪ For all residential developments, faster approvals mean that the costs of developing housing are decreased, and that if savings are passed on to consumers, this will result in housing that is more affordable ▪ A more efficient approval process makes for a more efficient use of developer and municipal staff time and resources ▪ Shorter approval times can reduce development risk 	<ul style="list-style-type: none"> ▪ The implementation of a more efficient and/or automated system requires more client and staff training, and sometimes involves high upfront implementation costs for the municipality ▪ Monitoring is required to ensure that a reduction in approval times is not the result of a decrease in the quality of planning and design decisions ▪ May be complicated to implement, particularly for larger urban municipalities

LEGISLATIVE REQUIREMENTS

Planning Act (s.70.2)

CASE STUDIES

Province of Ontario

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

FURTHER CONSIDERATION

Reducing the length of the approval process would result in a medium direct cost and a medium impact on affordability.

ADDITIONAL INFORMATION

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

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

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

5. Public Education and Community Outreach Programs

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

Advantages	Disadvantages
<ul style="list-style-type: none"> Raising awareness of the benefits of affordable housing for the community leads to community acceptance of a development and may avoid challenges to the development, including applications to the OMB 	<ul style="list-style-type: none"> Would require staff time and additional resources to develop education packages and sessions

LEGISLATIVE REQUIREMENTS

Planning Act (s.70.2)

CASE STUDIES

City of Mississauga

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

FURTHER CONSIDERATION

Reducing the length of the approval process would result in a medium cost to the municipality but indirectly assists with fast tracking the development approval process.

ADDITIONAL INFORMATION

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

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

MODIFYING DEVELOPMENT STANDARDS

6. Alternative Development Standards

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

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

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

In 2005, Mississauga developed alternative City-wide parking guidelines for Peel Housing, private non-profit developers and housing co-ops. However, this standard was not incorporated in the zoning by-law and applicants must seek relief through the minor variance process.

Advantages	Disadvantages
<ul style="list-style-type: none"> Increased housing affordability, achieved by reducing the costs of servicing lots, lowers housing prices for consumers when savings are passed on More intense use of land ensures lower per-dwelling land costs and reduced municipal infrastructure costs 	<ul style="list-style-type: none"> Risk aversion: conventional engineering standards reflect built-in safety factors and are only likely to be relaxed when there is clear evidence that doing so can provide public benefits without undue risk

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| <ul style="list-style-type: none"> ▪ A reduced environmental footprint through more compact development, which can reduce greenhouse gas emissions ▪ Greater variety in housing types encourages more inclusive and affordable neighbourhoods ▪ This helps overcome supply constraints due to minimum size standards and lets the market supply reach lower-income households | <ul style="list-style-type: none"> ▪ A lack of understanding and support: modifying development standards can involve or affect many different participants including elected officials, planners, engineers, construction managers, environmental professionals, etc.; not all groups will have the same level of understanding and offer the same support for the new programs and policies ▪ Conflicting financial perspectives: the bottom line is important to both developers and municipalities; however, these key stakeholders account for their investment costs and benefits differently, making it difficult to identify agreed-upon financial impact costs ▪ Complex and costly municipal approval process: where new development standards are first proposed in a development application, the involved parties must negotiate the application of the standards as well as the sharing of costs and responsibilities ▪ A piecemeal application: the aggregation of several alternative standards in one development may yield a different result than the simple sum of its parts |
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LEGISLATIVE REQUIREMENTS

Planning Act (s.40)

CASE STUDIES

Dieppe, New Brunswick

The City of Dieppe, New Brunswick, in partnership with the Province of New Brunswick and a private builder, implemented the sustainable community design (SCD) concept, which protects environmentally sensitive areas and provides affordable housing in the subdivision. While this concept was one of the City's responses to decreasing greenhouse gases, it also brought positive effects on the

provision of affordable housing by helping to reduce the costs of developing new dwelling units, as less land was required for each individual lot, which in turn provided the right density to locate this subdivision as one of the transit stops for the area.

Orillia, Ontario

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

Toronto, Ontario

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

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

FURTHER CONSIDERATIONS

Alternate development standards have been shown to have a low direct cost to municipalities while having a medium benefit for urban communities. The City should consider re-examining its reduced parking standards and other alternative development standards to determine effects on the production of affordable housing.

ADDITIONAL INFORMATION

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

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

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

CREATING OPPORTUNITIES FOR PROVISION OF AFFORDABLE HOUSING

7. Density Bonusing

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

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

Mississauga’s Official Plan identifies “affordable, assisted and special needs housing” as potential community benefits that may be achieved through density bonusing. Since 2012 the City has also had a Bonus Zoning Corporate Policy and Procedure which identifies affordable housing as one of the community benefits that can be secured through this policy, although to date, this has not been done. The policy works on the basis of achieving good planning principles first and foremost. Through negotiations, the City aims to capture from 20% to 40% of the increased value of the land as a result of the increased height and/or density.

Advantages	Disadvantages
<ul style="list-style-type: none"> Research has shown that negotiated bonusing has been very successful in providing affordable housing 	<ul style="list-style-type: none"> The initiative is generally only associated with downtown and other intensively developed areas where additional revenue-generating space can be offered Must also consider if additional density represents good planning and if the additional density can be supported by existing infrastructure

LEGISLATIVE REQUIREMENTS

Planning Act (s.37)

CASE STUDIES

Toronto, Ontario

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

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

New York, New York

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

FURTHER CONSIDERATIONS

Based on the City’s experience, this tool may not yield many affordable units on its own but may yield more units when implemented in combination with other tools such as inclusionary zoning and/or financial incentives.

ADDITIONAL INFORMATION

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

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

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

8. Inclusionary Zoning

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

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

As part of the Province's update to its Long Term Affordable Housing Strategy (2016), it is proposing inclusionary zoning legislation that will enable municipalities to mandate the inclusion of affordable housing units in new development projects.

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Inclusionary housing policies have enabled the development of affordable housing units in markets where such housing would not normally have been developed (primarily in high-growth areas) ▪ Helps to overcome local opposition to affordable housing (NIMBY) ▪ Helps to offset high housing costs to lower income consumers during periods of rapid growth in market housing ▪ Helps to promote diverse communities where households of a wide range of incomes can live 	<ul style="list-style-type: none"> ▪ Resistance from the for-profit development industry ▪ Local ratepayers may object to higher densities in return for affordable housing because of perceived impacts on neighborhoods ▪ Inclusionary policies require administrative support from senior and local governments, including identifying affordable housing prices and rents, monitoring development, and enforcing policies ▪ Little evidence that this policy has helped significantly in overcoming affordability problems of low-income households

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- Would help to secure land and/or units for affordable housing in large scale redevelopment areas e.g. Lakeview
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LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

Palo Alto, California

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

State of New Jersey

The Fair Housing Act of 1985 requires growing municipalities in New Jersey to provide for affordable housing. Most municipalities use an inclusionary housing policy to achieve this goal. Inclusionary housing policies require private market rate developers to include a percentage (usually 20%) of all units in new residential developments as affordable housing for low- and moderate-income households. Seventy percent of all new housing constructed for low- and moderate-income households in New Jersey is created by using these policies. The Fair Housing Act has added 53,500 affordable housing units, with 23,100 of these either already built or under construction, 14,600 units with zoning in place, 6,300 regional contribution agreement units, and 9,500 units that have been rehabilitated.

France

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

United Kingdom

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

City of Vancouver

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

FURTHER CONSIDERATIONS

Inclusionary zoning has a low direct cost to the municipality while having a high benefit for urban communities but the City would have to wait for enabling Provincial legislation to be in place to fully implement this tool.

ADDITIONAL INFORMATION

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

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

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

9. Remove Barriers and Incent Creation of New Second Units

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

The City of Mississauga incorporated second units into their affordable housing strategy as a means of increasing the stock of affordable housing. Mississauga's plan to permit second units includes official plan policies, zoning regulations, and licensing requirements. The City recently replaced the annual licensing with a one-time registration to simplify the process for illegal second units to comply with City regulations and the establishment of new units.

The City should consider the potential impact on affordability by providing grants and/or construction loans to assist with the creation of new second units.

Advantages	Disadvantages
<ul style="list-style-type: none"> Second units can provide a solution to the demand for affordable rental housing such as youth, older adults and new immigrants and assists households facing financial challenges to stay in a community such as homebuyers with limited equity or on fixed incomes Second units provide affordable rental housing in a neighbourhood setting without major government assistance, as they do not generally put much of a demand on local governments except for inspections and education In many areas, very little rental housing is being built and secondary suites are a cost-effective way of addressing rental housing needs, while also achieving housing densification in both urban and rural areas 	<ul style="list-style-type: none"> Secondary suites are often provided illegally, even in areas where they have been legalized, because it is expensive to bring units up to current standards (e.g. fire and building code compliance) There can be strong opposition to legalizing secondary suites from local residents Secondary suites may add increased pressure on crowded streets where parking is limited Many homeowners are reluctant to go through the complex procedures associated with creating a secondary suite, including getting proper approvals There is a concern with regard to illegal second units that do not meet health and safety standards There is limited information on existing illegal units

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| <ul style="list-style-type: none"> ▪ Second units can make better use of existing infrastructure where demographic shifts in neighbourhoods may have resulted in capacity ▪ Homeowners can reduce their monthly carrying costs by an average of 22.5% with a second unit | <ul style="list-style-type: none"> ▪ The impact of second units on the character of a neighbourhood is a common community concern ▪ The current legislation on development charges penalizes homeowners/ developers building second units as part of new construction as they are charged for the second dwelling. The Province's Long Term Affordable Housing Strategy Update aims to eliminate this barrier by requiring municipalities to provide development charge exemptions for second units in new homes |
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LEGISLATIVE REQUIREMENTS

Planning Act (s.16, 17 and 34)

CASE STUDIES

Edmonton, Alberta

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

City of Calgary

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

FURTHER CONSIDERATIONS

The direct cost to the municipality of permitting secondary suites is low, unless this is combined with a grant or loan program which would require additional financial investment. On the other hand, the benefits of permitting secondary suites in terms of increasing the supply of affordable housing are medium.

The City of Mississauga will be reviewing potential incentives to encourage legal second units as part of its Affordable Housing Program.

ADDITIONAL INFORMATION

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

10. Permit Garden Suites and Laneway Housing

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

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

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

Municipalities can pass temporary use by-laws authorizing garden suites as a temporary use for up to 20 years. Municipalities can also extend the temporary authorization for garden suites by further three-year increments.

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ A relatively inexpensive housing option for households in need of affordable housing ▪ The unit is connected to the services of the main dwelling and does not require the purchase of land ▪ Garden suites can act as a mortgage helper to the homeowners if rental income is received ▪ Common in rural communities where the property fabric can support additional dwelling. In these areas larger lot sizes are more common facilitating the establishment of garden suites ▪ The policy is suitable for cities with large proportions of single-family houses on large lots 	<ul style="list-style-type: none"> ▪ The approval process can be lengthy, especially if a site-specific bylaw is required ▪ Neighbours may raise concerns about the increase in density ▪ It can be difficult to install the garden suite in denser residential areas ▪ The policy may only help relatively well-off seniors whose children have houses or who own a property themselves and can share the lot with their children ▪ This solution may not help the people in most need of help

LEGISLATIVE REQUIREMENTS

Planning Act (s.39)

CASE STUDIES

Moncton, New Brunswick

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

Town of Bradford West Gwillimbury

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

FURTHER CONSIDERATIONS

There is limited applicability of garden suites and laneway housing on a large scale due to the property fabric in Mississauga but there is an opportunity to expand the second unit policy to incorporate garden suites and laneway housing. Consideration should be given to permitting in Mississauga Official Plan and allowing garden suites and laneway houses through a rezoning on a case-by-case basis.

ADDITIONAL INFORMATION

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

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

11. Prohibit Downzoning

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

Advantages	Disadvantages
<ul style="list-style-type: none"> Ensures the efficient use of land Avoids the necessity of rezoning in the future Keeps property values high due to the high potential for development 	<ul style="list-style-type: none"> May be seen as limiting the rights of property owners May be challenging to implement in established municipalities

LEGISLATIVE REQUIREMENTS

Planning Act (s 16, 17, 34)

CASE STUDIES

Ottawa, Ontario

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

FURTHER CONSIDERATION

The City of Mississauga has policies that discourage downzoning in its Official Plan but there is a need to investigate whether the policy is adequate to prohibit downzoning.

ADDITIONAL INFORMATION

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

RETAINING EXISTING RENTAL HOUSING STOCK

12. Demolition and Conversion Control

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> It is usually less expensive to convert existing residential properties instead of building new buildings This initiative can be combined with the preservation of historic buildings Can help preserve affordable housing for residents of a building that would otherwise be demolished or converted to condominiums or luxury rental units Can help stabilize inner-city neighbourhoods and increase self-sufficiency of tenants 	<ul style="list-style-type: none"> The process of renovation can be disruptive to tenants, who may have to move temporarily Sometimes the upgrading of rental housing results in rent increases even if grants are provided, so rent supplements may be needed When neighbourhoods are upgraded, they may become attractive places to live for higher-income earners, and this can push up land values and housing costs

LEGISLATIVE REQUIREMENTS

Planning Act, s.33

CASE STUDIES

Guelph, Ontario

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

City of Ottawa

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

City of Burlington

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

Regina, Saskatchewan

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

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

Vancouver, British Columbia

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

FURTHER CONSIDERATIONS

The City is currently losing approximately 75 rental units per year through conversion to condominium. Considering the very low rental vacancy rates in Mississauga, developing and implementing a demolition, conversion and replacement policy for affordable rental units may be advisable.

ADDITIONAL INFORMATION

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

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

ENABLING LEGISLATION FOR MUNICIPAL INCENTIVES

13. Municipal Capital Facilities Agreements

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

Assistance for municipal capital facilities from a municipality can include:

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Non-profits and/or private developers put up a portion of the capital and operating costs ▪ Services, such as affordable housing, are delivered even if the municipality has limited resources ▪ Increases the supply of affordable housing for at least the term of the agreement ▪ Project proponent takes on the responsibility of developing and operating the housing project 	<ul style="list-style-type: none"> ▪ Significant initial investment and risk for the municipality ▪ Limited control over who the target client group is and how service is delivered

LEGISLATIVE REQUIREMENTS

Municipal Act 2001, s.110

The Municipal Act will be undergoing a review as a complementary initiative to updating the Provincial Long Term Affordable Housing Strategy. Possible amendments include amendments to regulations respecting municipal/city services corporations and Municipal Housing Capital Facilities Agreements.

CASE STUDIES

Region of Peel

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

FURTHER CONSIDERATIONS

The City should consider passing a Municipal Housing Facility Bylaw as enabling legislation to provide financial incentives for affordable housing once the Province has enacted amendments permitting municipalities other than those designated as Service Managers to adopt such a bylaw.

ADDITIONAL INFORMATION

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

14. Community Improvement Plans

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Can enable municipalities to provide grants and loans to stimulate private sector investment in targeted areas of the community ▪ Can promote revitalization and place-making to attract tourism, business investment and economic development opportunities ▪ May promote brownfield cleanup and redevelopment ▪ May make more effective use of existing community infrastructure ▪ Allows for registration of grant and loan agreements on title 	<ul style="list-style-type: none"> ▪ Would require investment in grants or loans within the CIP project areas

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

Waterloo, Ontario

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

FURTHER CONSIDERATIONS

This tool would require a bylaw to be passed as well as identification of affordable housing as a community benefit in the Official Plan. It would also require financial investment in the form of grants or loans as well as negotiated agreements with landowners/ developers. The Region of Peel may also participate in a municipal CIP for affordable housing in Mississauga.

ADDITIONAL INFORMATION

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from:

<http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270>

Ministry of Municipal Affairs and Housing (2015). Land Use Planning: Community Improvement Plans. Accessed from:

<http://www.mah.gov.on.ca/Page6850.aspx>

LAND-BASED INCENTIVES

PROVIDING LAND AT REDUCED COST

15. Providing Land

a. Land Leases/ Ground Leases

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

b. Donated City-Owned Land

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

c. Providing Land at Below Market Value

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ In a lease arrangement, even when the land is leased at market value, leases can enhance the affordability by reducing some of the bridge financing costs of 	<ul style="list-style-type: none"> ▪ In a lease arrangement, affordable housing developers do not benefit from an appreciating asset (land); instead, they are putting equity into a depreciating

<p>development</p> <ul style="list-style-type: none"> ▪ Providing land is an effective way of making housing more affordable, by reducing development costs, and thereby reducing the amount of financing that must be raised or borrowed at the outset of a project ▪ When leasing municipal lands, even for a nominal fee, the municipality retains the lease tenure and therefore the ability to protect the affordable housing ▪ This strategy works especially well for private developers (as an incentive) 	<p>asset (the building)</p> <ul style="list-style-type: none"> ▪ Appropriate safeguards must be put in place to prevent abuse, so that affordable housing built on provided land remains affordable ▪ Some lenders may be unwilling to lend on developments with only a leasehold interest, because they have less security in the event of a loan default ▪ The market resale value at the end of the lease period may be \$0 if there is no guarantee that the leaser will renew the lease, requiring the lessee to vacate the dwellings, demolish the structures and clean up the site ▪ Providing land is sometimes controversial; it can be viewed as diminishing the prosperity of the city or region in question
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LEGISLATIVE REQUIREMENTS

Municipal Act, 2001 (s.110)

CASE STUDIES

Calgary, Alberta

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

FURTHER CONSIDERATIONS

This would be an effective tool if the City of Mississauga had surplus municipally-owned land.

ADDITIONAL INFORMATION

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

SECURING AND HOLDING LAND

16. Housing First Policies for Surplus Public Land

One possible source of affordable housing sites comes from surplus lands owned by all levels of government and public sector agencies such as school boards. Some municipalities have adopted “housing first” policies calling for surplus lands to be used for housing purposes first. These municipalities have usually made such sites available on a lease basis for \$1 in return for the provision of various forms of affordable housing.

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Reduced land costs for developers of affordable housing ▪ More efficient use of government-owned surplus land ▪ Low investment for government with the potential of high returns in terms of affordable housing 	<ul style="list-style-type: none"> ▪ The municipality (or other level of government) may be passing up a chance to sell the land at a much higher rate ▪ Land may not be in an ideal location for affordable housing (e.g. not close to transit or services)

LEGISLATIVE REQUIREMENTS

Municipal Act, 2001 (s.107)

CASE STUDIES

Pembroke, Ontario

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

uses the former principal's office. Due to the location of the school, the residents have easy access to a hospital, grocery store, and transit.

Regina, Saskatchewan

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

FURTHER CONSIDERATIONS

Land prices have been increasing in Mississauga so providing surplus land owned by governments or school boards may be a more efficient way of providing assistance to non-profit organizations and other developers of affordable housing.

ADDITIONAL INFORMATION

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

17. Large Sites Policy

The large sites policy is an inclusionary housing program where a proportion of residential developments on large sites are required to be affordable housing.

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Enables the development of affordable housing units in markets where such housing would not normally have been developed (primarily in high-growth areas) ▪ Helps to promote diverse communities where households of a wide range of incomes can live 	<ul style="list-style-type: none"> ▪ Resistance from developers ▪ Local ratepayers may object to higher densities in return for affordable housing because of perceived impacts on neighborhoods ▪ Evidence for the effectiveness of this policy is limited

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

City of Toronto

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

City of Vancouver

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

City of Montreal

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

FURTHER CONSIDERATIONS

Implementing a large site policy may have significant benefits for developments on larger sites, including brownfield sites while the cost to the municipality would be low and mostly related to administrative resources. It would be most effective if combined with inclusionary zoning or some type of incentive.

ADDITIONAL INFORMATION

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

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

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

18. Land Banking

Acquisition of land by a municipality prior to expanding urbanization (before land values increase); the municipality could reserve that land for a use that it deemed best in meeting their objectives.

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Reduced land costs for developers of affordable housing ▪ Land banks encourage redevelopment of vacant and abandoned properties that lead to benefits such as: <ul style="list-style-type: none"> ▪ A reduction in city property maintenance costs ▪ Increased property tax revenues ▪ Increased local property values ▪ Promote further residential and commercial development ▪ Reduces the cost of land for affordable housing development ▪ The city has more control over the future development of land 	<ul style="list-style-type: none"> ▪ Land bank or municipality may lack sufficient acquisition funds for new land ▪ Requires ongoing and effective coordination between the land bank, the city, and affordable housing agencies ▪ Properties may not have enough value to justify development

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

City of Saskatoon

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

FURTHER CONSIDERATIONS

Land prices in the City of Mississauga have been increasing over the years and as such, this tool would require a significant investment from the Municipality which may outweigh the benefits gained from implementing the tool.

ADDITIONAL INFORMATION

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

INTEGRATING AFFORDABLE HOUSING WITH COMMUNITY FACILITIES

19. Mixed-Use Community Facilities

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Better use of underutilized city land ▪ Can be combined with air rights lease or other strategy where municipality may see a small income stream ▪ A more efficient and sustainable approach to providing services ▪ Improved access to services 	<ul style="list-style-type: none"> ▪ Difficult to garner community acceptance

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

Vancouver, British Columbia

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

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

Richmond, British Columbia

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

Winnipeg, Manitoba

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

Town of Richmond Hill

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

FURTHER CONSIDERATIONS

Implementation of this tool may be combined with other tools and in partnership with the Region of Peel and private and/or non-profit housing and support service providers.

ADDITIONAL INFORMATION

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<http://journalofcommerce.com/Projects/News/2015/5/Construction-of-mixed-use-municipal-facilities-on-the-rise-1007571W/>

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

York Region, Community and Health Services Department (n.d.). Richmond Hill Housing and Community Hub Information Sheet.

Accessed from: <https://www.york.ca/wps/wcm/connect/yorkpublic/429a9237-475a-4798-b8e8-f794603b1ca4/RH+Hub+info+sheet.pdf?MOD=AJPERES> and <https://www.york.ca/wps/wcm/connect/yorkpublic/7c529f24-d50f-4879-9812-a48a2787acf0/Richmond+Hill+Housing+and+Community+Hub+Initiative+FAQ.pdf?MOD=AJPERES>

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FINANCIAL INCENTIVES

INCENTIVES TO REDUCE CAPITAL COSTS

20. Municipal Planning and Building Fees

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

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

21. Development Charges

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

22. Parkland Dedication / Cash-in-Lieu

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Lowers costs for affordable housing developers ▪ Acts as an incentive to private developers who might 	<ul style="list-style-type: none"> ▪ Municipal governments often require these fees and charges to balance budgets

<p>develop affordable housing</p> <ul style="list-style-type: none"> ▪ Redesigning development fees so they reflect the size of the unit will take away the incentive for builders to develop larger, more expensive units ▪ Adjusting fee schedules to reflect true costs as nearly as possible makes urban development more efficient 	<ul style="list-style-type: none"> ▪ Sometimes there are legal issues involved with waiving development charges for affordable housing, depending on the overriding provincial statutes governing municipal responsibilities ▪ Estimating the true costs of new development is very difficult and attempts to develop marginal cost fee schedules often appear arbitrary
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LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

City of Cambridge; Kitchener-Waterloo, City of Hamilton

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

City of Ottawa

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

City of Toronto

The East Yorker, a planned 12 storey condominium in east Toronto with 105 suites, will help facilitate the entry of low and moderate income first time buyers into the residential market. The project developer, Neighborhood Concepts Non-profit Corporation, an affiliate of Options for Homes, is partnering with Home Ownership Alternatives to provide start-up capital and administer the funding and benefits secured by purchasers' second mortgages (provided as down payment assistance). To facilitate the project, the City of Toronto is providing grants to offset City planning fees and development charges.

Austin, Texas

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

FURTHER CONSIDERATION

The estimated contribution to the capital cost per unit of waiving building and planning fees is between 1% and 2% while waiving local development charges is about 5% and waiving the parkland dedication is about 3.5% so these would make a significant impact in terms of affordability but the City would also be forgoing this revenue.

ADDITIONAL INFORMATION

Ministry of Municipal Affairs and Housing (2011). Municipal Tools for Affordable Housing. Accessed from:

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23. Capital Loans and Grants

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

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Allowing governments to set aside funding without making an open-ended funding commitment ▪ The loans carry little or no interest ▪ Can be used in conjunction with conventional loans and various forms of government and community 	<ul style="list-style-type: none"> ▪ Loan recipients must not be high credit risks (loan repayment is essential) ▪ The fund might need to be replenished when interest rates are at zero or very low ▪ The fund might not be large enough to replace other

assistance <ul style="list-style-type: none"> Can be used to target specific aspects of development not covered by other sources 	sources of funding or to fund entire projects on its own
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LEGISLATIVE REQUIREMENTS

Municipal Act, 2001 (s.107 and 110)

CASE STUDIES

Regina, Saskatchewan

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

Province of Ontario

For example, the Canada-Ontario Affordable Housing Program which provides one-time up-front Federal and Provincial capital grants of \$120,000 per unit to private or non-profit developers if they charge a rent at or below 80 percent of Canada Mortgage and Housing Corporation (CMHC) Average Market Rent (AMR).

Region of Ottawa-Carleton (former)

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

Toronto, Ontario

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

Winnipeg, Manitoba

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

City of Toronto – Options for Homes

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

Region of Peel

The Home in Peel Affordable Ownership Program is designed to provide low- and moderate-income residents who are currently renting a unit in the Region the opportunity to qualify for down payment loan assistance to buy a home in Peel Region. The program will assist eligible applicants who have a total gross household income of \$87,800 or less to purchase a resale home in the Region that does not exceed a purchase price of \$330,000.

FURTHER CONSIDERATIONS

This tool has been found to be highly effective in increasing the supply of affordable housing for urban and growing urban communities although the direct cost to the municipality is also high given that an initial investment will be required to create the fund as well as a regular source to replenish the fund.

ADDITIONAL INFORMATION

Starr, E. and Pacini, C. for the Ontario Professional Planners Institute (2001). The Municipal Role in Meeting Ontario's Affordable Housing Needs: An Environmental Scan of Municipal Initiatives and Practices.

INCENTIVES TO REDUCE ONGOING COSTS

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Lessens the burden on operating costs for affordable multi-residential rental housing 	<ul style="list-style-type: none"> ▪ Decreases an important source of revenue for municipalities

LEGISLATIVE REQUIREMENTS

Municipal Act, 2001 (s.308)

CASE STUDIES

Regina, Saskatchewan

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

City of Toronto

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

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

Seattle, Washington

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

Halifax Regional Municipality

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

City of Toronto

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

FURTHER CONSIDERATIONS

In Peel Region, the multi-residential property tax rate in all three area municipalities is higher than the residential rate so reducing this rate would have a significant impact on the provision of affordable rental housing. In Mississauga, the residential tax rate is 0.888635%

while for multi-residential property it is 1.428825%. Exempting affordable housing projects or, at least, equalizing the multi-residential rate with the residential rate would contribute to the reduction of ongoing capital costs of affordable housing developments.

ADDITIONAL INFORMATION

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<http://www.mah.gov.on.ca/AssetFactory.aspx%3Fdid%3D9270>

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City of St. Albert Planning and Development (2005). Municipal Affordable Housing Financial Incentives. Accessed from:

http://stalbert.ca/uploads/PDF-reports/PD_Municipal-Financial-Incentives.pdf.

City of Toronto (2013). 2013 Operating Budget Briefing Note. Accessed from:

<http://www.toronto.ca/legdocs/mmis/2013/ex/bgrd/backgroundfile-54850.pdf>.

Region of Peel (n.d.). 2015 Property Tax Policy Handbook. Accessed from: <https://www.peelregion.ca/finance/tax-handbook/>.

25. Tax Increment Equivalent Grants

A Tax Increment Equivalent Grant (TIEG) provides grants or rebates to property owners to offset a portion of the property tax increase the owners will face as a result of a redevelopment. The TIEG is payable in instalments, typically over a ten-year period, with year one rebating 100% of the tax increase, and the percentage declining over time.

Mississauga is currently considering this tool to incent office development in the Downtown as it was identified by office stakeholders as a way to reduce operating costs in the early stages of development.

Advantages	Disadvantages
<ul style="list-style-type: none"> Encourages redevelopment of an area as it decreases the future tax burden Offers a strategy to “self-finance” a redevelopment project without having to raise or impose new taxes Once the TIEG expires, the municipality will receive the full benefit of the property taxes on a much higher property tax base that would otherwise be present Can be an additional revenue stream to meet a community’s housing needs 	<ul style="list-style-type: none"> Decreases an important source of revenue for municipalities

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

City of Peterborough

In 2011, the City approved the Central Area Community Improvement Plan and the Affordable Housing Community Improvement Plan to provide financial assistance to downtown redevelopment and revitalization projects and to assist in the creation of affordable housing. Three programs were implemented under the Affordable Housing CIP. The Municipal Incentive Program waives municipal fees such as planning application fees, parkland fees, and cash-in-lieu of parking for affordable housing projects. The Development Charges Program

waives the payment of development charges for any new affordable housing units. The Tax Increment Grant Program is an annual grant to property owners to reimburse a portion of the municipal property tax increase resulting from increased assessment. The program would be implemented over nine years. For the first five years, the grant would be equivalent to 100% of the municipal tax increase with the property owner gradually paying the full amount of taxes from years 6 to 9.

City of Sault Ste. Marie

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

FURTHER CONSIDERATIONS

This tool can be used as part of a CIP to encourage the development of affordable housing and may be less complex to implement than a TIF. While the City would lose some revenue from property taxes in the short term, it has a low direct cost for the City.

ADDITIONAL INFORMATION

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<http://www.saultstemarie.ca/Cityweb/media/Engineering-and-Planning/Planning/Strategic%20Long%20Range%20Planning/RentalHousingCIPApplication.pdf>.

26. Tax Increment Financing

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Encourages redevelopment of an area as it decreases the future tax burden ▪ Helps reduce the costs and risks of developing brownfield sites ▪ Offers a strategy to “self-finance” a redevelopment project without having to raise or impose new taxes ▪ Once the TIF expires, the municipality will receive the full benefit of the property taxes on a much higher property tax base that would otherwise be present ▪ Can be an additional revenue stream to meet a community’s housing needs 	<ul style="list-style-type: none"> ▪ Decreases an important source of revenue for municipalities ▪ May be complicated to implement

LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

City of Toronto

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

City of Cambridge

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

Massachusetts, United States

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

Utah, United States

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

City of Sacramento, United States

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

FURTHER CONSIDERATIONS

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

ADDITIONAL INFORMATION

Starr, E. and Pacini, C. for the Ontario Professional Planners Institute (2001). The Municipal Role in Meeting Ontario's Affordable Housing Needs: An Environmental Scan of Municipal Initiatives and Practices.

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Mullin, K. (2011). Urban Renewal and Community Revitalization: Tools that can Help. Municipal World, January 2011. Accessed from:

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MECHANISMS TO CREATE A CAPITAL FUND TO PROVIDE INCENTIVES

27. Housing Trust Funds

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

Advantages	Disadvantages
<ul style="list-style-type: none"> HTFs rely on dedicated and ongoing funding support so they are able to establish long term priorities and policies and develop sustained relationships with the community-based providers of affordable housing and related services HTFs do not rely on accessing program funds or other types of financial support from local community or government stakeholders as they have a dedicated source of ongoing funding HTFs have shown a marked ability to foster new housing solutions particularly ones that respond to local opportunities and needs 	<ul style="list-style-type: none"> HTFs in the U.S. use their resources most effectively by piggy-backing on federal and other funding and financing; the absence of comparable assistance in Canada limits what HTFs are able to accomplish Establishing an HTF with a designated government revenue source requires strong commitment from governments If the dedicated source of funding generates more revenues than are used for housing, then the designation is essentially an implicit form of increased taxation Dedicated sources of funding for HTF management must be politically sustainable if government priorities change The scale of initiatives is limited by the magnitude of the upfront funding as well as ongoing financial support by the local community and government stakeholders

Advantages

Disadvantages

- If the sources of funds comes from an existing levy or tax, then governments must make up shortfalls in other ways. When the funding comes from fees, levies and taxes on housing in general, the affordability of market-priced housing may be slightly reduced

LEGISLATIVE REQUIREMENTS

Further research is required.

CASE STUDIES

Municipality of Whistler, British Columbia

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

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

FURTHER CONSIDERATIONS

An HTF can be replicated in any municipality where a source of capital is available to dedicate to housing initiatives and the benefits are high. On the other hand, the direct cost to the municipality is also high and would require an ongoing source of funds.

ADDITIONAL INFORMATION

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

Starr, E. and Pacini, C. for the Ontario Professional Planners Institute (2001). The Municipal Role in Meeting Ontario's Affordable Housing Needs: An Environmental Scan of Municipal Initiatives and Practices.

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

28. Levy on Property Tax for Affordable Housing

Some municipalities impose a levy or surcharge on property taxes specifically to develop affordable/social housing. Mississauga has successfully introduced infrastructure and storm water surcharge levies on the municipal property tax bill. Consideration should be given to introducing a similar surcharge on all tax classes or certain non-residential tax classes which benefit from the presence of affordable housing in the city.

Advantages	Disadvantages
<ul style="list-style-type: none"> Provides an ongoing source of funds for affordable housing 	<ul style="list-style-type: none"> Would require extensive public education campaigns and acceptance by tax payers

LEGISLATIVE REQUIREMENTS

Further research is required.

CASE STUDIES

Seattle, Washington

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

Toronto, Ontario

The City of Toronto is considering an annual “city building” tax of 0.5 per cent added to property tax bills, dedicated to paying for transit and social housing infrastructure. The charge is proposed to start in 2017 with an estimated additional \$13 charged to the average

property tax bill of \$2,654.50. The new fee is expected to compound for five years growing to a minimum of \$65 by 2021, when it is estimated to raise up to \$70 million a year,

FURTHER CONSIDERATIONS

This would require further research on feasibility and community acceptance activities would be required to get buy-in from residents.

ADDITIONAL INFORMATION

Starr, E. and Pacini, C. for the Ontario Professional Planners Institute (2001). The Municipal Role in Meeting Ontario's Affordable Housing Needs: An Environmental Scan of Municipal Initiatives and Practices.

City of Seattle (2016). Seattle Housing Levy. Accessed from: <http://www.seattle.gov/housing/levy/>

Toronto Star, John Tory proposes property tax levy to pay for transit, housing Wed Dec 02 2015

29. Sale of Air Rights/ Transfer of Development Credits

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

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> ▪ Provides compensation for a landowner for the loss of development potential ▪ Assists municipalities in implementing preservation policies while serving development interests ▪ Owners of land being conserved and developers both receive financial gain without the municipality having to make a financial investment ▪ Ability to tailor a program specifically to the needs and 	<ul style="list-style-type: none"> ▪ Success would depend on the presence of a market for TDC credits. If there is no market, landowners in sending areas will have no incentive to restrict the uses of their property to acquire TDC credits ▪ Obtaining community support for a TDC program, which is critical for the success of the program, may not be easy ▪ More than one municipal jurisdiction may be involved

<p>opportunities within a community</p> <ul style="list-style-type: none"> ▪ Air rights over publicly owned facilities such as streets or parking lots may be sold for increased revenue ▪ For a developer, air space offers the opportunity to secure a large site in one transaction and eliminates the need to assemble several parcels of land, demolish existing structures and relocate existing tenants ▪ Offers the change to obtain a prime site, such as near services or transit ▪ Air space is often less expensive than similarly located vacant land which will offset additional construction costs ▪ Will eliminate eyesores, such as open parking lots and railroad yards 	<p>in establishing a TDC program and the municipality must consult and reach appropriate</p> <ul style="list-style-type: none"> ▪ If a municipality's bylaws and plans offer a wide variety of zones, there may not be sufficient incentive for developers to participate in a TDC program. ▪ Municipal policies and regulations would have to be specific as to the use of air rights otherwise this may open up air space to types of developments that were not anticipated or planned for in the land use plan ▪ Would add to the demand on existing public facilities and utilities ▪ Would cut off light and air for surrounding structures ▪ There may be challenges if the use underneath the air space has to be expanded ▪ Compatibility between the existing use and the proposed use for the air space
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LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

New York, United States

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

Vancouver, British Columbia

Vancouver has Canada's only active and comprehensive TDC program called the Heritage Density Transfer System. It was initiated in 1983 and amended to its current form in 1993. It is used predominantly to protect historical buildings in designated districts but can be

used for open space or park creation or to affect urban design. A main goal of the program is to make the restoration of historical buildings as financially attractive as redevelopment of the land.

City of Toronto

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

FURTHER CONSIDERATIONS

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

ADDITIONAL INFORMATION

Higgins, N. 2000. Transfer Development Rights. Retrieved from:

http://depts.washington.edu/open2100/pdf/3_OpenSpaceImplement/Implementation_Mechanisms/transfer_development_rights.pdf

Kwasniak, A. (2004). The Potential for Municipal Transfer of Development Credits Programs in Canada. *Journal of Environmental Law and Practice*.

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

30. Land Value Capture

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

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

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

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

Advantages	Disadvantages
<ul style="list-style-type: none"> It helps build a more competitive region with a higher quality of life Helps build sustainable and healthier communities Helps reduce the cost of living Helps reduce congestion and pollution 	<ul style="list-style-type: none"> Acceptance of the principle of LVC and the benefits may be challenging Challenges related to collaboration between public and private sector stakeholders Changes to policy and legal framework may be

	required <ul style="list-style-type: none"> ▪ Changes to appraisal methods may be required ▪ Challenges related to easily releasing and capturing the added value
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LEGISLATIVE REQUIREMENTS

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

CASE STUDIES

London, U.K.

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

FURTHER CONSIDERATIONS

The benefits, in terms of affordable housing, from the increased land and property values around transit stations in Mississauga may be captured through a number of tools that have been previously discussed, such as land banking, tax increment financing and housing trust funds. However, this would require policy and legislative changes.

ADDITIONAL INFORMATION

Munk School of Global Affairs. 2015. Land Value Capture: Principle and Practice in Canada and Around the World. Retrieved from:


<http://munkschool.utoronto.ca/imfg/land-value-capture-principle-and-practice-in-canada-and-around-the-world/>


Metrolinx. 2013. Land Value Capture Discussion Paper. Retrieved from:

http://www.metrolinx.com/en/regionalplanning/funding/Land_Value_Capture_Discussion_Paper_EN.pdf


EVALUATING MUNICIPAL TOOLS IN THE MISSISSAUGA CONTEXT


The following table presents an overview of each of the tools discussed in the Municipal Best Practices Report and identifies which tools should be given priority for inclusion in the Affordable Housing Program. It focuses on strategies that can be employed to protect and maintain the stock of existing affordable housing or generate new affordable units. This analysis is based on a number of factors, including ease and cost of implementation for the municipality, need for legislative changes, desire to balance City objectives, program suitability and sustainability, potential impact on housing affordability and other factors. Each tool is then evaluated on the basis of whether it should be considered as low, medium or high priority for further investigation and/or action on its own or in combination with other tools. Priority tools should be advanced for further consideration of matters such as cost and how they might be coordinated with initiatives of other levels of government.


Tools	Observations	Priority
 DIRECT SERVICE DELIVERY		
1. Housing Development Corporation/Municipal Services Corporation	Peel Housing Corporation, similar to other local housing corporation, has the ability to build and maintain affordable housing throughout the Region. Some service managers, for example the City of London, have established separate housing development corporations to stimulate the development and sustainability of affordable housing, establish revenue generating activities, explore and initiate innovate financing and investment tools. At the local municipal level there would be significant set up costs, need for special expertise and an ongoing source of funding to apply this tool. Further, it is not clear that a lower tier municipality that is not responsible for the provision of affordable housing is permitted to establish a housing development corporation (reference O.Reg.599/06 s.16 (3)) which states that a corporation can operate within a lower tier if it provides a service/ system that the lower-tier municipality can provide.	Low

Tools	Observations	Priority
 MUNICIPAL REGULATORY AND PROCESS TOOLS		
Reducing Length of Approvals		
2. Official Plan and Zoning Measures	Pre-designate and pre-zone lands to promote a diversity of housing unit types suitable for a wider range of household incomes. For example, zone to permit micro units, increased density and mixed use near major transit station locations. Pre-zoning appropriate development in these locations could act as an incentive and reduce development costs.	High
3. Fast-Tracking Development Approval Process	Can be achieved by designating such affordable housing proposals as high priority and devoting specific resources to expedite the time lines. The City's Development Liaison role could be expanded to incorporate this service.	High
4. Development Permit System	Considerable upfront planning and consultation is required to establish a Development Permit System (DPS). The implementation of DPS has been limited in larger municipalities. It is unclear how other tools/incentives would work in conjunction with a DPS. Therefore further investigation is advised.	Medium
5. Public Education and Community Outreach Programs	The City's experience with this tool is that it has a positive impact; for example, with second units, increasing awareness made implementation and take-up/ legalization more successful. New technologies and media approaches can make this tool very cost effective.	High
Modifying Development Standards		
6. Alternative Development Standards	Reduced parking standards is the most frequently proposed alternative development standard associated with affordable housing. In 2005 the City developed alternative city-wide parking guidelines for Peel Housing, private non-profit developers and housing co-ops. However this standard was not incorporated in the zoning by-law and applicants must seek relief through the minor variance process. These guidelines should be re-examined to determine if they are reflective of current demand.	Medium
Creating Opportunities for Provision of Affordable Housing		
7. Density Bonusing	Under current policies and procedures, the City is able to secure affordable housing (units and/or cash in lieu thereof) as a community benefit contribution in conjunction	High

Tools	Observations	Priority
	<p>with the approval of a rezoning. However, implementation or operational guidelines are required to fully implement this tool, in particular the evaluation and negotiation process and identification of entity to receive the affordable unit.</p> <p>Any consideration of density bonusing must first consider if additional density represents good planning.</p> <p>This approach will likely not yield many affordable units on its own. It should however, be investigated further particularly in conjunction with other tools (e.g. inclusionary zoning) or financial incentives, partnerships with Peel Region or non-profits.</p>	
8. Inclusionary Zoning	The City must wait it for enabling Provincial legislation to be in place to fully implement this tool. Once in place (anticipated later this year), the City would also need to investigate how and where to apply inclusionary zoning in Mississauga.	Medium
9. Remove Barriers and Incent Creation of New Second Units	<p>Second units are one of the most cost-effective ways to create affordable housing units in all areas of the City while maintaining the general character of the community. They are intrinsically more affordable than secondary rental/investor owned apartments and provide homeowners with an opportunity to earn additional income to help meet the costs of home ownership.</p> <p>Council recently removed the requirement for annual licensing for second units in favour of a one-time free registration process in an effort to reduce barriers to creating second units. Loan, grant and education programs should be considered to further incent affordable second units in homes.</p>	High
10. Permit Garden Suites and Laneway Housing	There is limited applicability on a large scale to due to the existing property fabric. It would be most appropriate to consider proposals for garden suites, coach houses and laneway homes on a case-by-case basis. The most practical approach could be to permit such units in the Official Plan but then have proposals proceed through a rezoning or minor variance to address site specific matters.	Medium
11. Prohibit Downzoning	The City currently has an Official Plan policy that “discourages” downzoning. The policies could be further examined to see if they can be bolstered to be more effective.	Medium
Retaining Existing Rental Housing Stock		

Tools	Observations	Priority
12. Demolition and Conversion Control	Protecting and maintaining existing affordable rental stock is a priority in areas undergoing redevelopment pressure or where higher order transit is planned e.g. Hurontario Street. This can be achieved by introducing effective demolition control by-laws and protocols for the conversions of rental stock to condominium. Over the last 15 years, an average of 75 rental units have been converted to condominiums annually. Considering the very low vacancy rate (1.6% in 2015) and that both demolition control and condominium approvals are within the jurisdiction of the City, these controls should be examined with a view to protect and retain existing affordable housing stock.	High
 ENABLING LEGISLATION FOR MUNICIPAL INCENTIVES		
13. Municipal Capital Facilities Agreement	A municipality has the ability to enter into an agreement with a third party to provide municipal capital facilities (MCF) e.g. sewers, community centres, parking facilities. While eligible MCF's include affordable housing, only a service manager under the <i>Housing Services Act</i> , 2011 (Peel Region) has the ability to apply the tool for this purpose. It is our understanding that the Province is currently considering expanding this tool to lower tier municipalities.	Low
14. Community Improvement Plan	<p>A CIP is a tool that enables municipalities to direct funds and implement policy initiatives toward a specifically designated project area. A CIP provides the enabling mechanism for Council to provide the financial incentives noted in this report as well as participate in innovative municipal/private/non-profit partnerships to deliver affordable housing. In some instances, loan agreements between municipalities and landowners have required that specified properties be maintained as affordable housing. The Region of Peel as service manager may also participate in municipal CIPs for affordable housing.</p> <p>The City has very limited experience with Community Improvement Plans (CIP). Currently, a portion of Mississauga's Downtown is designated as a community improvement project area for incenting offices. It is highly recommended that CIPs be investigated further as a tool to implement affordable housing programs.</p>	High

Tools	Observations	Priority
 LAND-BASED INCENTIVES		
Providing Land at Reduced Cost		
15. a) Land-Leases/ Ground Leases b) Donated City-Owned Land c) Providing Land at Below Market Value	<p>Providing municipal land at no or reduced cost reduces the capital cost of constructing affordable housing by about 5% to 10%.</p> <p>Similar to the City's arrangement with Sheridan College, leasing public land to non-profit providers is an effective way to create affordable housing. Conditions imposed in the lease agreement can ensure that affordable housing stock remains affordable over the long term. This strategy should be coordinated with any action on Housing First for Surplus Public Land policies.</p>	High
Securing and Holding Land		
16. Housing First Policies for Surplus Public Land	<p>Due to the scarcity of new development sites, adoption of a housing first policy for the disposal of surplus public lands would ensure that affordable housing producers have greater access to land supply. A municipality may wish to do this on its own surplus sites but it would be more effective if it also applied to all provincial, federal and school board surplus properties. Affordable housing producers (e.g. service managers, local housing corporations, non-profit and coop housing providers) could be prioritized for receiving surplus land for the purpose of creating affordable housing. If lands remain in government or non-profit control affordability could be secured over the long term.</p>	High
17. Large Sites Policy	<p>Mississauga has a number of large areas undergoing redevelopment. In some cases these are surplus federal or provincial government lands (e.g. Lakeview) or privately-owned brownfield sites (Imperial Oil). Some municipalities have introduced large site policies in Official Plans to require affordable housing when these types of areas redevelop. The intent of the policies is to provide a mix of housing in terms of type and affordability on sites over a certain minimum threshold in size. On their own these policies have generally not been effective. However, with the introduction of inclusionary zoning it may be possible to require this as a condition of approval. The City should explore how large site policies, inclusionary zoning and other tools could work together to secure affordable housing.</p>	High
18. Land Banking	Requires significant investment from the City particularly due to the high cost of	Low

Tools	Observations	Priority
	land. Land banking may be required to support a Housing Development Corporation and should be investigated as part of a cost benefit analysis for the creation of a development or municipal services corporation.	
Integrating Affordable Housing with Community Facilities		
19. Mixed-Use Community Facilities	Investigate appropriate conditions where affordable housing could be integrated with municipal and regional community facilities (e.g. fire halls, ambulance stations, community centres) as they are built/rebuilt. The major benefit of this strategy is that it removes the land cost for the affordable housing producer and it ensures affordability over the long term as the land will continue to remain in public ownership. It is recommended that potential future sites be identified and tested to identify compatibility, financial and operational issues to be addressed.	High
 FINANCIAL INCENTIVES		
Incentives to Reduce Capital Costs		
20. Municipal Planning and Building Fees	Estimated contribution to the capital cost per unit of waiving building and planning fees is between 1% and 2%. The City is currently considering waiving planning fees in the CIP to incent office development in the Downtown. As a precedent is being developed it would be appropriate to consider extending this waiver for affordable housing developments. This would assist many non-profit providers who incur higher upfront costs and financing challenges.	High
21. Municipal Development Charges	Estimated contribution to the capital cost per unit of waiving local development charges is about 5% but the City would lose this revenue. Deferring municipal development charges may be particularly helpful to non-profit housing producers who may face challenges with upfront cash flow. This incentive would be more effective if combined with Region and school board development charge deferrals. Consideration should be given to conducting a cost-benefit analysis associated with deferring rather than waiving or providing grants-in-lieu development charges for a specific period of time as an incentive.	High
22. Parkland Dedication/ Cash-in Lieu	Estimated contribution to the capital cost per unit of waiving parkland dedication fees is about 3.5% but the City would lose this revenue. Parkland is an important quality of life consideration in high density communities. Given the high cost of land	Low

Tools	Observations	Priority
	in intensification areas, it is recommended that the cost-impact of waiving parkland dedication be examined in more detail.	
23. Capital Loans and Grants	<p>The Region of Peel's 2016 budget includes \$86.5 million for affordable housing development so the City may want to partner with the Region to enhance available funding for affordable housing in Mississauga.</p> <p>The City should also investigate how to create a sustainable fund to provide loans and grants for affordable housing (both rental and entry level ownership). This could include a housing levy, and be used in conjunction with non-profit and for profit development partners e.g. shared equity schemes.</p>	High
Incentives to Reduce Ongoing Costs		
24. Property Tax Equalization for New Rental Construction/Property Tax Exemption	These incentives focus on making adjustments to the property tax system to promote affordable housing. The City should consider equalizing the property tax for new rental and condo buildings or alternatively, provide an exemption for affordable rental housing. It is recommended that a cost-benefit analysis be conducted on implementing this incentive.	High
25. Tax Increment Equivalent Grants (TIEG)	The City is considering this tool to incent office development in the Downtown. Office stakeholders identified that TIEGs provide reduced operating costs for office development in the early stages of the development which were considered most risky. A similar cost-benefit analysis should be conducted to determine the potential impact of TIEGs on affordable housing.	High
26. Tax Increment Financing (TIF)	TIF works on the principle that infrastructure and public space improvements will attract private investment and stimulate development resulting in increased property taxes that could be used to fund the capital cost of such improvements. It is not clear how affordable housing could benefit particularly when there will also be competing desires to fund transit with TIFs. In addition, Provincial approval would be required.	Low
Mechanisms to Create a Capital Fund to Provide Incentives		
27. Housing Trust Funds	Needs further investigation to understand the legislative authority, feasibility and long term benefits.	Low
28. Levy on Property Tax for Affordable	To provide capital grants and loans the City must examine ways to raise revenue. An	High

Tools	Observations	Priority
Housing	annual surtax on all tax classes should be considered similar to existing surtax levies for storm water and infrastructure. Alternatively, a surtax could be charged on all non-residential classes of development which benefit from the creation of more affordable homes for their employees.	
29. Sale of Air Rights/ Transfer of Development Credits	The City would have to have sites that are suitable such as land around transportation nodes. This can be considered on a case-by-case basis subject to the achievement of good planning.	Low
30. Land Value Capture	This is a levy to capture the initial land value increase derived from an infrastructure investment. Assuming reasonable assumptions can be made about land values and projected growth this could be tested and applied to the Hurontario Street corridor as a funding source for affordable housing. However, entities such as Metrolinx are currently looking into implementation of LVC to fund transit infrastructure; there is a possibility that the City will be competing with Metrolinx.	Medium

CONCLUSION AND NEXT STEPS

Mississauga is growing and will continue to grow in the future. While the City has a very active residential development sector, most of this development is not meeting the needs of low- and some moderate-income households, particularly larger households. As such, the City is examining ways to encourage the development of housing that is affordable to households with low and moderate incomes.

While the City can choose to implement each tool individually, a combination of different tools would bring about a more significant effect in terms of adding to the supply of affordable housing. Flexibility in implementing these tools is also a vital component of an affordable housing strategy. This can be done by developing a ‘toolbox’ or ‘menu of tools’ from which incentives can be selected based on the current need, the degree to which the proposed project meets the identified need and the level of affordability of the proposed project. This ‘toolbox’ or ‘menu of tools’ would include the tools identified as a **high priority** in the evaluation table in the previous section:

Municipal Regulatory and Process Tools

- Official Plan and Zoning Measures
- Fast-Tracking Development Approval Process
- Public Education and Community Outreach Programs
- Density Bonusing

- Remove Barriers and Incent Creation of New Second Units
- Demolition and Conversion Control

Enabling Legislation for Municipal Incentives

- Community Improvement Plan

Land-Based Incentives

- Providing Land at Reduced Cost
- Housing First Policies for Surplus Public Land
- Large Sites Policy
- Mixed-Use Community Facilities

Financial Incentives

- Municipal Planning and Building Fees
- Municipal Development Charges
- Capital Loans and Grants
- Property Tax Equalization for New Rental Construction/Property Tax Exemption
- Tax Increment Equivalent Grants (TIEGs)
- Levy on Property Tax for Affordable Housing

As next steps in this process, further investigation of the tools identified as a high priority for implementation would be undertaken and would include a detailed analysis of the cost of implementing these tools to the City. Once a draft ‘tool box’ has been developed, education and communication initiatives should be undertaken to raise awareness of the availability of these tools. Pilot projects should also be considered to test the effectiveness of these tools in the Mississauga context.

