



Report to: Development Services Committee

Report Date: February 24, 2020

SUBJECT: Affordable and Rental Housing Study – Phase 2: Policy Framework and Recommendations

PREPARED BY: Emily Irvine, M.C.I.P., R.P.P., Special Projects Coordinator, Policy & Research, Ext. 2094

Darryl Lyons, M.C.I.P., R.P.P., Manager, Policy, Policy & Research, Ext. 2459

REVIEWED BY: Marg Wouters, M.C.I.P., R.P.P., Senior Manager, Policy & Research, Ext. 2909

RECOMMENDATION:

- 1) That the report and presentation entitled “Affordable and Rental Housing Study – Phase 2: Policy Framework and Recommendations” dated February 24, 2020 be received;
- 2) That Staff undertake public consultation on the “Draft Affordable and Rental Housing Strategy” contained in the “Affordable and Rental Housing Study: Phase 2: Policy Framework and Recommendations” dated February 2020;
- 3) That Staff report back to Development Services Committee with the final Affordable and Rental Housing Strategy;
- 4) And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

PURPOSE:

This report presents the findings of the Affordable and Rental Housing Strategy Study – Phase 2: Policy Framework and Recommendations and seeks direction to undertake public consultation on the draft Affordable and Rental Housing Strategy that is contained within the Phase 2 Report.

BACKGROUND:

In September 2018, Council requested staff to bring forward an updated Affordable and Rental Housing Strategy for the City of Markham, including options for inclusionary zoning and additional financial incentives.

SHS Consulting was retained to undertake a two-phase study in support of updating the City’s Affordable and Rental Housing Strategy. Phase 1 was comprised of a housing needs assessment report that examined current and emerging housing needs and gaps in

Markham, which was considered by Development Services Committee on April 29, 2019.

SHS Consulting has recently completed the second phase of their work, entitled “Affordable and Rental Housing Strategy Study – Phase 2: Policy Framework and Recommendations” (Phase 2 Report), attached as Appendix ‘A’.

The Phase 2 Report takes into consideration input received from stakeholder engagement to discuss and evaluate potential actions, incentives and tools, including inclusionary zoning that informed development of the draft Affordable and Rental Housing Strategy.

DISCUSSION:

The Phase 2 Study provides a summary of housing needs identified in the Phase 1 housing needs assessment, reviews housing actions taken by various levels of government, assesses housing tools/practices in other jurisdictions, documents stakeholder engagement activities and includes a proposed draft Affordable and Rental housing strategy.

The draft Affordable and Rental Housing Strategy includes a vision, goals and 36 recommended actions across five theme areas that the City could use to help address housing affordability. The Phase 2 report also proposes a recommended inclusionary zoning framework for implementation by the City as one of the recommended actions.

The following sections of this report present the findings of the Phase 2 report and the proposed draft Affordable and Rental Housing Strategy.

Three key housing gaps have been identified in Markham

The Phase 1 Housing Needs Assessment identified the following key housing gaps in Markham:

1. There is a need for more housing options that are affordable to households with low incomes and persons needing supports to live independently, and these options should include smaller dwelling units (for the purposes of affordability), family-sized units, and housing to facilitate aging in place.
2. There is a need to encourage the development of ownership options that are affordable to households with moderate incomes and that are appropriate for larger households.
3. There is a need to increase the number of purpose-built rental housing units in Markham.

In accordance with provincial policy, the Markham Official Plan, 2014 defines *affordable housing* as households with “low and moderate income households” paying over 30% of their income on housing.

“Low and moderate income households” refers to, households with incomes in the lowest 60 percent of the income distribution for Markham (up to 6th decile). (These households are also referred to as the lowest six ‘deciles.’) Households in the 40% to 60% income ranges (4th to 6th deciles) are often referred to as moderate income households. Households 30% and lower (3rd decile and below) are often referred to as low income households. Ownership and rental households have different affordability ranges.

It was found that the maximum price for affordable ownership housing is \$471,008 for moderate income households and a maximum house price of \$244,551 for low income households. Affordable ownership housing prices are calculated for the Regional Market Area. Markham is included the Region of York Regional Market Area. For affordable rental housing, the maximum rent can be no more than \$1,337 which is the average market rent in Markham.

More specifically, the needs assessment found that:

- 52% of Markham households with low incomes (\$63,494 or less) are having to spend 50% or more of their income on housing costs;
- 74% of Markham households with low incomes (\$63,494 or less) are having to spend 30% or more of their income on housing costs;
- 34% of all Markham households are having to spend 30% or more of their income on housing costs; and,
- 18% of all Markham households are having to spend 50% or more of their income on housing costs.

The analysis also identified a mismatch between the affordable supply by housing type and household needs. While there are some housing units which are affordable to households with moderate incomes, these are smaller one-bedroom condominium apartments and are not sufficient to address the needs of the different household types in the City. In addition, new units are primarily affordable to the higher-end of the moderate income range (6th decile), and additional ownership units are needed to support moderate income households with lower incomes (4th and 5th deciles). As well, the vast majority of affordable units are one bedroom units in high-density developments. More family-sized units are needed to increase the diversity of the affordable supply. In addition, there is also a very limited supply of units in the primary rental market (1% vacancy rate in 2019) whereas 3% is considered a healthy vacancy rate.

All levels of government have been engaged in addressing housing challenges

Housing policy operates within a framework of legislation, policies and programs from senior levels of government to housing strategies of local municipalities.

Federal Government Initiatives

The Federal Government introduced Canada’s first the National Housing Strategy (NHS) in 2017. The NHS included housing targets and \$40 billion in joint investment to address

national housing needs. CMHC administers the funding from the NHS through programs such as the National Housing Co-Investment Fund, Rental Housing Construction Financing Programs and Seed Funding Program. All of these programs require support from another level of government before funding is granted. Support can be in the form of financial incentives or in-principle support for a housing development proposal.

The Federal Budget has also supported housing initiatives, and, in 2019 included a First Time Home Buyer Incentive of a 10% shared equity mortgage for new homes and 5% for an existing housing unit.

Provincial Government Initiatives

The Planning Act identifies affordable housing as an area of Provincial interest. In 2016, the Planning Act was amended to provide municipalities with an inclusionary zoning tool which can require affordable housing in new residential developments. The Provincial Policy Statement, 2014 provides direction regarding the provision of housing including ensuring that planning authorities establish minimum housing targets that are affordable to low and moderate income households. The Province recently consulted on a new draft Provincial Policy Statement that would maintain current policy direction but support increased housing supply such as increasing land supply requirements and fast-tracking certain development proposals including housing. The new Provincial Policy Statement has not come into effect.

In May 2019, A Place to Grow, the new Growth Plan for the Greater Golden Horseshoe (Growth Plan, 2019) came into effect which continues to require municipalities to establish targets for affordable ownership housing and rental housing. The Growth Plan, 2019 also requires municipalities to consider the range and mix of housing options of the existing housing stock and consider the use of available tools to require multi-residential developments to incorporate a mix of unit sizes to accommodate a diverse range of household sizes and incomes.

The Provincial government also released More Homes, More Choice: Ontario's Housing Supply Action Plan in May 2019 to increase the supply of housing including affordable rental housing. The More Choices More Homes Act (formerly Bill 108) introduced changes to various pieces of legislation to support the Housing Supply Action Plan including the Planning Act and Development Charges Act.

Among the changes was that inclusionary zoning could only be applied within Major Transit Station Areas or areas within a Development Permit System (also known as a Community Planning Permit System) ordered by the Minister. Changes also allowed a total of three residential units on one property (a primary dwelling and two additional residential units). Changes to the Development Charges Act introduced the community benefits charge to replace density bonusing, and now allow development charges to be paid in installments for some developments including rental housing and non-profit housing. Inclusionary zoning provisions came into effect in September 2019 when the

Province released the implementing regulation. The changes to replace density bonusing with the community benefits charges have not yet come into effect.

York Region Initiatives

The Regional Official Plan includes housing targets and states that 25% of new housing units across the Region are to be affordable and a portion of these should be accessible to people with disabilities. Further it states 35% of new housing in Regional Centres and key development areas are to be affordable. The Regional Official Plan also requires all new secondary plans to implement affordable housing targets and plan for how affordable housing targets will be met.

Regional Council approved phase 2 of the Region's 10-Year Housing and Homelessness Plan (2019) including new goals to increase the supply of affordable housing, help people find and keep housing and strengthen the housing and homelessness system. The Region's Make Rental Happen Collaborative Advocacy Plan included a policy for a 36-month deferral of development charges for purpose-built rental with four or more storeys. It also approved interest-free development charge deferrals for up to 1,500 affordable purpose-built rental units over the next three years. The deferrals range from 36 months to 20 years depending on the location, size and affordability of the development.

The Region also approved a Draft Community Improvement Plan for Affordable Rental Housing Incentives that would waive application fees and allow local municipalities to issue grants and waivers. York Region is currently undertaking a municipal comprehensive review to update its Official Plan to conform to provincial policies including inclusionary zoning.

City of Markham Initiatives

Markham released a draft Affordable and Special Needs Housing Strategy in 2011. Since that time significant action has been undertaken to implement the strategy and address housing needs. Actions include new official plan policies such as working with the Region to identify affordable housing targets and protecting the existing rental supply. The City has been providing case-by-case grants for incentives (development charges, reductions in parkland dedication requirements, fast-tracking of development applications and deferrals of certain development application fees), advocacy, and partnerships with key stakeholders and informal education initiatives.

Stakeholder engagement sessions held in 2019 provided input into the draft Affordable and Rental Housing Strategy and inclusionary zoning framework

Engagement sessions were held from June to December 2019 to discuss and evaluate potential tools and incentives. These sessions were attended by stakeholders from across the housing continuum including representatives from the development industry, non-profit housing providers, ratepayer associations, Councillors and staff from the City, Region, Province and CMHC. Stakeholder input informed development of the recommended actions in Phase 2 report.

General comments heard included the need to develop housing policies to support Markham as a complete community and address identified needs for families, people with disabilities, smaller households and older adults. As well, stakeholders commented that residents across the City should be involved in the development of the housing strategy.

Potential tools and financial incentives suggested included waiving or reducing parkland dedication, tax exemptions and development charges. Regulatory changes such as parking requirements and removing zoning requirements were also identified. It was also suggested that additional land for housing could be made available from surplus land or employment lands that are converted to non-employment uses.

Inclusionary zoning policies were identified as a tool to apply to both ownership and rental housing projects. Longer affordability periods of between 25 and 99 years were identified as well as incentives associated with inclusionary zoning outside of Major Transit Station Areas, which are the primary areas where inclusionary zoning is permitted.

Finally, stakeholders identified opportunities to support new affordable housing through better use of existing lands owned by public sector or non-profit agencies, supporting housing stakeholders such as enterprise or faith groups to leverage assets and lobbying for streamlined and financial support from senior levels of government.

The Phase 2 Report includes a proposed Draft Affordable and Rental Housing Strategy Including a Vision, 3 Goals and 36 Actions

The proposed draft Affordable and Rental Housing Strategy builds on senior government initiatives and accounts for local housing needs as identified through the housing needs assessment. Feedback from stakeholders also informed the range of actions, tools and incentives considered, including the recommended inclusionary zoning framework.

The 2011 draft Affordable Housing Strategy identified a vision for housing in Markham that is still relevant today:

To support the social and economic vitality of the City of Markham through the facilitation and provision of a range of housing options (by type, tenure and affordability) for Markham residents and workers throughout their lifetime, in order to sustain a more complete community.

Through the current SHS report, three goals have been developed to address the key housing gaps in Markham:

Goal 1: Increase the supply of affordable rental housing options, particularly for small and larger households with low incomes and that meet their needs in terms of size, accessibility and support services.

Goal 2: Stimulate the development of ownership housing options, particularly larger options for families, which are affordable to households with moderate incomes as well as households with low incomes where feasible.

Goal 3: Expand the supply of purpose-built rental market units throughout Markham.

The anticipated outcomes from these goals include increasing the supply of purpose-built rental housing, accessible and supportive housing, secondary units, and ownership options, particularly larger units. These outcomes support needs of low and moderate income households, for smaller and larger families as well as those with special needs.

The proposed draft Affordable and Rental Housing Strategy includes thirty-six short, medium and long term actions that are grouped into five focus areas. These actions are intended to be the focus of public consultation as well as the basis of a recommended inclusionary zoning framework. Following consultation and assessment of feedback, various actions will be brought forward in a final Affordable and Rental Housing Strategy.

The actions in the draft Affordable and Rental Housing Strategy are summarized below.

Policy

Fourteen actions involve changes to Markham's policies. These include developing more specific housing targets and defining affordable based on unit size and affordable house price. The implementation of inclusionary zoning policies within all Major Transit Station Areas is also recommended and represents a valuable tool to realize affordable and rental housing in proposed residential developments (discussed in more detail below). Actions items also include consideration for the development of permissions for co-housing, secondary residential units, smaller homes, and modular construction. Parking requirements should be reviewed, and opportunities for residential in relation to under-utilized or surplus city lands should be considered.

The City should also seek to implement measures similar to inclusionary zoning in other areas of the city, where appropriate, to help address the need for affordable and rental housing. As noted in the advocacy section below there is a recommendation that the City should advocate to the provincial government to consider expanding the use of inclusionary zoning to areas beyond major transition station areas and outside of an order by the Minister to implement a Development Permit System.

Financial Incentives

Three of the actions involve financial incentives. The City should consider the feasibility of, either as an incentive package or individually, waiving application fees, development charges, property taxes or parkland dedications. Also, providing grants in lieu of development fees which meet sustainability standards such as Passive house or LEED

standards and ongoing funding for affordable housing through the City's budget process are part of the suggested actions associated with incenting affordable housing. It is recognized that there would be varying costs associated with different incentives, which would have to be further assessed.

Advocacy

From the review of the various levels of government housing related initiatives, there are thirteen actions proposed that involve advocating for financial support including advocating to the Federal Government for funding to reach deeper affordability levels, advocate to the Provincial Government to increase capital funding for new affordable housing projects and advocate to York Region to fund a home sharing pilot. In addition, advocate to the provincial government to consider expanding the use of inclusionary zoning beyond Major Transit Station Areas and outside of an order by the Minister to implement a Development Permit System.

Partnerships

Three actions involve partnerships with faith groups, non-profit, for-profit residential developers, and community agencies to manage affordable units or develop vacant or under-utilized land for affordable housing purposes. Partnerships also involve supporting social enterprise to provide employment opportunities or training to youth, persons with disabilities or low income.

Education

Three actions relate to education and include continuing Markham's work to increase awareness of housing needs, increase the capacity to build affordable housing and promote alternative forms of home ownership such as rent-to-own or shared equity.

The Phase 2 Report includes a proposed inclusionary zoning framework for implementation in Markham

As mentioned, inclusionary zoning is a tool that enables municipalities to require affordable housing units to be included in residential developments. To implement inclusionary zoning, municipalities are required to complete an assessment report analyzing housing need and demand and the financial impact of inclusionary zoning in accordance with provincial regulation, which has now been completed.

Inclusionary zoning can be applied to lands located within Major Transit Station Areas, or areas where the Minister of Municipal Affairs and Housing orders implementation of a Development Permit System (also known as a Community Planning Permit System). As mentioned, York Region, in consultation with area municipalities, is in the process of completing a Municipal Comprehensive Review to plan for growth to 2041 and conform with the Growth Plan. As part of this exercise, the Region is required to identify and delineate Major Transit Station Areas (24 currently proposed in Markham) which would enable inclusionary zoning. The Region will also need to include policies in the Regional Official Plan regarding inclusionary zoning before local municipalities can implement this tool. The adoption of by-laws to implement inclusionary zoning cannot be appealed

to the Local Planning Appeal Tribunal, except by the Minister of Municipal Affairs and Housing.

SHS Consulting has completed the needs assessment and developed a draft policy framework that could implement inclusionary zoning in Markham. City staff also retained N. Barry Lyon Consultants to complete an evaluation of the potential financial impacts of an inclusionary zoning policy in the City of Markham (executive summary of report contained in Appendix 'B' of the Phase 2 Study) to satisfy part of the regulatory requirements. As noted above, recent changes through the More Homes, More Choices Act (formerly Bill 108) will replace density bonusing provisions under Section 37 of the Planning Act with a community benefits charge framework. Once the community benefits charge has come into effect, the financial viability work undertaken by N. Barry Lyon Consultants may need to be updated prior to implementing inclusionary zoning in Markham.

The proposed inclusionary zoning framework outlined in the Phase 2 Report proposes the following principles:

- Applies to new residential development proposals with over 100 units in the form of
 - a contribution of 5% of the residential gross floor area of condominium developments for affordable housing where the contribution is in the form of units rented out, or
 - a contribution of 10% of the gross floor area of ownership developments for affordable housing
- minimum of 40% of units are to be 2 and 3-bedroom units
- Price or rent of units required to meet definition of affordable housing in the official plan
- Require affordability for a minimum of 25 years (perpetuity preferred)
- Preference for units to be provided on-site, or offsite within inclusionary zoning area at a higher contribution rate
- Inclusionary zoning is not currently recommended to be applied to purpose-built rental housing
- Inclusionary zoning would not apply to developments proposed by a non-profit housing provider or partnership with a non-profit housing provider where at least 51% of units are affordable

The requirement for inclusionary zoning would be applied in all identified Major Transit Station Areas. These principles are proposed to form the basis of an inclusionary zoning official plan policy and by-law that will be brought back to Council at a later date for approval.

NEXT STEPS:

Public consultation on the draft Affordable and Rental Housing Strategy is proposed through posting the draft Strategy on the City's website and Your Voice Markham, and

hosting a Community Information session in the spring. In addition, the City is hosting a Housing Summit in March with a targeted audience, which will focus on realizing affordable and rental housing projects which will also help confirm the viability/efficacy of the proposed actions.

Following the public consultation and Housing Summit Staff will report back to Development Services Committee on the final Affordable and Rental Housing Strategy and an inclusionary zoning policy.

FINANCIAL CONSIDERATIONS:

Not applicable.

HUMAN RESOURCES CONSIDERATIONS:

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

The draft Affordable and Rental Housing Strategy supports Goal 3 – Safe, Sustainable and Complete Community of Building Markham’s Future Together, 2020-2023. More specifically the draft strategy supports Goal 3.2: “Build complete communities that offer a range of housing and employment opportunities, transportation options and outstanding community amenities”.

BUSINESS UNITS CONSULTED AND AFFECTED:

The financial recommendations of this report have been discussed with staff from Finance Department and their comments have been incorporated.

RECOMMENDED BY:

Arvin Prasad M.C.I.P., R.P.P.
Commissioner of Development Services

ATTACHMENTS:

Appendix ‘A’ – City of Markham Affordable and Rental Housing Study – Phase 2:
Policy Framework and Recommendations, February 2020