



Report to: Development Services Committee

Report Date: September 5, 2018

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**SUBJECT:** Update on Provincial and Regional Housing Initiatives

**PREPARED BY:** Murray Boyce, Senior Policy Coordinator

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

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**RECOMMENDATION:**

- 1) That the report entitled “Update on Provincial and Regional Housing Initiatives” dated September 5, 2018, be received;
- 2) That Staff be requested to report back on an updated Affordable and Rental Housing Strategy for the City of Markham, including options for inclusionary zoning and additional financial incentives, in response to Provincial and Regional affordable and rental housing initiatives;
- 3) That the Mayor and Clerk be authorized to enter into a Transfer Payment Agreement with the Ministry of Housing for the Provincial Development Charges Rebate Program, generally in a form satisfactory to the City Solicitor;
- 4) That Staff be authorized to submit a Take Up Plan to the Ministry of Housing for the Provincial Development Charges Rebate Program, generally in a form satisfactory to the Commissioner of Development Services;
- 5) And that Staff be authorized and directed to do all things necessary to give effect to this resolution.

**PURPOSE:**

The purpose of this report is to provide an update on Provincial and Regional affordable and rental housing initiatives and to seek authority from City Council to participate and receive funding from the Provincial Development Charges Rebate Program.

**BACKGROUND:**

While the current housing supply in Markham is meeting the demands of the majority of its residents, the needs of many residents are not adequately being met in the traditional market especially for households of low or modest incomes. Markham continues to work in close partnership with the Province and the Region to increase affordable and rental housing options at all price points.

### Affordable and Rental Housing

Affordable Housing is aimed at households in the lowest 60 percent of the income distribution in Markham, many of which are likely experiencing affordability challenges because they are having to spend more than 30 percent of their income on ownership or rental housing. In 2017, for households with combined incomes of \$112,670 or less, the affordable ownership threshold was \$457,694 and the affordable rental thresholds ranged from \$1,115 for a bachelor unit to \$1,905 for a unit with three or more bedrooms.

Rental housing is provided through purpose-built rental housing developments (which may be rented at market or affordable rents or a combination thereof) or the secondary rental market (which are individually rented dwelling units in condominium apartment buildings or ground related dwellings including secondary suites). While the investor-owned condominium rental market continues to provide a significant source of rental housing in Markham, the overall rental market vacancy rate fell from 1.4 percent in 2016 to 0.9 percent in 2017. No significant purpose-built market rental developments have been constructed in Markham for some time and only 120 non-profit government assisted affordable rental housing units (East Markham Non-Profit Homes/Tony Wong Place) have been built in the past ten years.

### Provincial and Regional Affordable and Rental Housing Initiatives

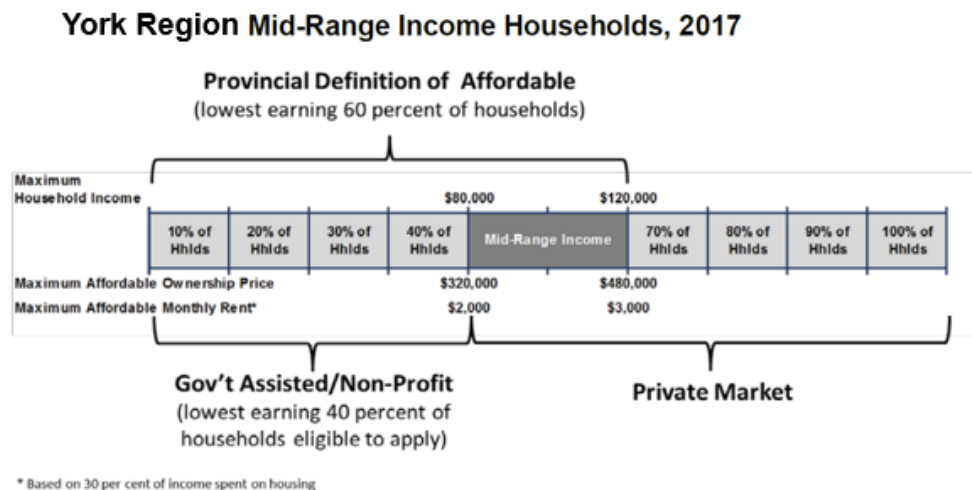
In recent years, the provincial and regional governments have introduced a number of initiatives to address the demand for housing, protect renters and buyers, and increase the supply of housing, including affordable and rental housing.

In 2016, the Province introduced new Planning Act legislation under the Promoting Affordable Housing Act enabling municipalities to adopt Official Plan policies and pass zoning by-laws related to inclusionary zoning. Inclusionary zoning is a planning tool that allows municipalities to require developers to include affordable units in residential developments. The inclusionary zoning legislation came into effect on April 12, 2018 when the Province passed regulations authorizing municipalities to apply inclusionary zoning by-laws to developments of ten or more units for both ownership and rental units based on local needs and priorities.

In 2017, the Province announced its Fair Housing Plan, including 16 actions to address supply and demand issues, as well as increased protections for renters and buyers. The \$125 million Development Charges Rebate Program is one of the provincial initiatives aimed at increasing the supply of housing, specifically purpose-built market rental developments. The program provides rebates for development charges and aims to reduce the construction costs of building market rental housing, particularly in those communities that are in most need of new purpose-built rental housing.

In 2016, Regional Council supported the formation of a York Region/Local Municipal Housing Working Group and directed Staff to report back on the necessity and/or extent of a housing incentives framework. In addition to the existing Regional development charges incentives for affordable rental housing projects and purpose-built high density

rental buildings, the Working Group focused on the development of incentives for the mid-range affordable segment of the housing market. As shown in the Region's figure below, York Region mid-range income households are those households that fall between the fourth and sixth deciles of income distribution which are not eligible to apply for government assisted/non-profit housing supports and are meant to be housed by the private market. Currently, the private sector is not delivering a product like purpose-built market rental housing that is affordable to mid-range income households.



In June 2018, Regional Council endorsed a Draft Rental Housing Incentives Guideline to address the purpose-built market rental housing supply and affordability issues for mid-range income households. The Draft Guideline currently contemplates a tax increment equivalent grant for the Regional portion of property taxes for up to five years and/or a 48 month deferral of development application fees for eligible purpose-built market rental developments. Regional staff were requested to consult with local municipal, agency, and development industry stakeholders and report back on a final version of the Guideline.

#### Markham's Affordable and Rental Housing Initiatives

Over the past ten years, Markham has undertaken a number of policy initiatives aimed at increasing the supply of new affordable and rental housing units, including but not limited to:

- Completion of an Affordable and Special Needs Housing Study, and Shared and Supportive Housing Policy Review;
- Release of a Draft Strategy for Affordable and Special Needs Housing;
- Adoption of a new affordable and shared housing policy framework in the 2014 Official Plan; and
- Release of a Draft Strategy for Secondary Suites.

At the same time, Council has approved financial incentives in support of eligible affordable ownership units in the Old Kennedy Co-operative development and eligible

affordable rental units in the East Markham Non-Profit Homes developments at Tony Wong Place and 20 Water Street. Markham's current financial incentives framework for affordable and rental housing is provided below.

<b>City of Markham Financial Incentives for Affordable and Rental Housing</b>			
	<b>Affordable Ownership Housing</b>	<b>Affordable Rental Housing</b>	<b>Purpose-Built Market Rental Housing</b>
<b>Development Charges</b>			
Approval Authority	Council Approved Policy	Council Approved Practice	Council Approved Policy
Type of Incentive and Duration	Deferral for the lesser of 20 years or when the unit is no longer owned by the original purchaser	Conditional Grant but eligible rental units must remain affordable for a minimum of 20 years	Deferral for 3 years but must be operated as a rental property for a minimum of 20 years
Criteria	Development must be eligible to receive Federal, Provincial and Regional funding. Must be Government Agency or Non-Profit Organization. Excludes ASDCs	Development must receive Provincial and/or Regional funding	Development must be a minimum of four storeys
<b>Reduced Cash-in-Lieu of Parkland</b>			
Approval Authority	Council Approved Practice	Council Approved Practice	No current policy or practice
Type of Incentive	Deferral for the lesser of 20 years or when the unit is no longer owned by the original purchaser	Conditional Grant but eligible rental units must remain affordable for a minimum of 20 years	

#### **DISCUSSION:**

##### Markham awarded Provincial Development Charges Rebate Program Funding Allocation

In April 2018, Markham was one of thirteen municipalities across the Province selected to receive a Provincial Development Charges Rebate Program funding allocation of up to \$2.85 million over five years (in equal instalments) based on its rental vacancy rates and tenant population.

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Under the Program, Markham has the flexibility to determine which rental housing developments and units will receive funding based on local need, but within broad provincial program eligibility criteria:

- Developments and units receiving provincial rebates must remain rental for a minimum of 20 years.
- Non-luxury rental units, where starting rents do not exceed 175% of Average Market Rents as published by the Canada Mortgage and Housing Corporation.
- Developments must align with other provincial priorities and lead to net new additional public good (rental housing, family-sized units, senior-friendly, close to transit and transit hubs).
- Developments must be consistent with the Provincial Policy Statement and conform to the Growth Plan.

The following types of developments and units are not eligible under the Program:

- Single and semi-detached homes, duplexes/triplexes and retirement homes.
- Units already receiving provincial capital subsidies under housing supply programs.
- Luxury market rental units, where starting rents exceed 175% Average Market Rents.
- Market rental units receiving a deferral of or exemption from the payment of development charges.

Participation in the Development Charges Rebate Program is subject to the City entering into a transfer payment agreement with the Province. The transfer payment agreement sets out accountability requirements including the requirement for the City to develop formal contribution agreements with any developers who receive provincial rebates for the purpose of meeting program objectives and/or addressing obligations.

Based on the \$2.85 million allocation, Markham will be required to submit a Take-Up Plan in the first quarter of each year detailing the proposed market rental housing development(s) that are eligible for each year's allocation, as well as the anticipated timelines for planning approvals and issuance of a building permit. If the Take-Up Plan is approved by the Province, a Building Permit for the eligible development would have to be issued prior to March 1, 2020 to access the first year's funding allocation.

Staff have contacted the Developers' Roundtable to invite private market development participation in the DC Rebate Program. At this time, Staff have only received one expression of interest for a potential purpose-built market rental housing development. The proposed development is in the pre-consultation stage and would require development approvals prior to Council considering whether or not to apply DC Rebate Program funding to the Markham portion of development charges. The proponent has also advised that the proposed development would require additional incentives from the Region and the City, including but not limited to, deferral of the Region's portion of development charges, a reduced cash-in-lieu parkland contribution, a potential tax increment financing grant from the Region and the City, and a fast track development approval in order to make the project viable as a private market development.

In the absence of receiving a formal development application for a purpose-built market rental development, Markham is not in a position to identify a specific project that would be eligible for DC Rebate Program funding in the Take-Up Plan submission due this fall. Ministry staff recognize this challenge and the tight program deadlines and have advised that they are prepared to receive a Take-Up Plan submission referencing a generic development, subject to Markham confirming an eligible proposed development in a future adjusted Take-Up Plan.

On this basis, Staff are recommending that the transfer payment agreement be executed with the Province and that Staff be authorized to submit a Take-Up Plan to the Ministry of Housing referencing a generic development proposal in order to access Markham's DC Program allocation of up to \$2.85 million over the next five years.

Response to other Provincial and Regional Affordable and Rental Housing Initiatives  
Through the York Region/Local Municipal Housing Working Group, Staff will continue to consult with York Region Staff on options for the Region to assist Markham in administering other Provincial and Regional affordable and rental housing initiatives such as inclusionary zoning and the Region's Draft Rental Housing Incentives Guideline.

At this time, it is recommended that Staff be requested to report back on an updated Affordable and Rental Housing Strategy for the City of Markham, including options for inclusionary zoning and additional financial incentives, in response to Provincial and Regional affordable and rental housing initiatives.

**FINANCIAL CONSIDERATIONS:**

Not applicable.

**BUSINESS UNITS CONSULTED AND AFFECTED:**

The recommendations of this report have been discussed with Staff from the Legal and Finance Departments and their comments have been incorporated.

**RECOMMENDED BY:**



Biju Karumanchery M.C.I.P., R.P.P.  
Director of Planning and Urban Design



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