

Corporate Services  
Regional Clerk's Office

February 16, 2018

Ms. Kimberley Kitteringham  
City Clerk  
City of Markham  
101 Town Centre Boulevard  
Markham, ON L3R 9W3

Dear Ms. Kitteringham:

**Re: Housing Initiatives and Incentives Update**

Regional Council, at its meeting held on February 15, 2018, adopted the following recommendations of Committee of the Whole regarding "Housing Initiatives and Incentives Update":

1. Council endorse the following principles for development of a purpose built rental affordable housing incentives framework that targets mid-range income households:
  - a) Apply to purpose built rental tenure only
  - b) Priority given to high-rise and mid-rise developments
  - c) Priority given to development in regional and local centres and corridors
  - d) York Region incentives be contingent on the local municipality offering similar or better incentives
  - e) Proponents be required to share pro forma work with staff
  - f) Projects with support from senior levels of government be prioritized
  - g) Restrictive covenant registered on title requiring that the property be developed and operated as a rental apartment complex for no less than 20 years
  - h) Incentives offered may be tied to the duration the project will remain rental, duration of affordability and/or depth of affordability provided
2. Staff report back to Council in Q2 2018 with a proposed Mid-Range Income Affordable Housing Incentives Framework based on the principles in Recommendation 1.

3. This report be circulated by the Regional Clerk to the Clerks of the Local Municipalities.

A copy of Clause 3 of Committee of the Whole Report No. 3 is enclosed for your information.

Please contact Sandra Malcic, Manager Policy and the Environment at 1-877-464-9675 ext. 75274, or Lisa Gonsalves, Director of Strategies and Partnerships at 1-877-464-9675 ext. 72090 if you have any questions with respect to this matter.

Sincerely,

A handwritten signature in black ink, appearing to be 'Christopher Raynor', written over a horizontal line.

Christopher Raynor  
Regional Clerk

/S. Dumont  
Attachment

Clause 3 in Report No. 3 of Committee of the Whole was adopted, without amendment, by the Council of The Regional Municipality of York at its meeting held on February 15, 2018.

**3**

**Housing Initiatives and Incentives Update**

Committee of the Whole recommends:

1. Receipt of the presentation by Paul Freeman, Acting Chief Planner, Planning and Economic Development.
2. Adoption of the following recommendations contained in the report dated January 26, 2018 from the Commissioner of Corporate Services and Commissioner of Community and Health Services and Chief Planner:
  1. Council endorse the following principles for development of a purpose built rental affordable housing incentives framework that targets mid-range income households:
    - a. Apply to purpose built rental tenure only
    - b. Priority given to high-rise and mid-rise developments
    - c. Priority given to development in regional and local centres and corridors
    - d. York Region incentives be contingent on the local municipality offering similar or better incentives
    - e. Proponents be required to share pro forma work with staff
    - f. Projects with support from senior levels of government be prioritized
    - g. Restrictive covenant registered on title requiring that the property be developed and operated as a rental apartment complex for no less than 20 years
    - h. Incentives offered may be tied to the duration the project will remain rental, duration of affordability and/or depth of affordability provided
  2. Staff report back to Council in Q2 2018 with a proposed Mid-Range Income Affordable Housing Incentives Framework based on the principles in Recommendation 1.

## **Housing Initiatives and Incentives Update**

3. This report be circulated by the Regional Clerk to the Clerks of the Local Municipalities.
- 

Report dated January 26, 2018 from the Commissioner of Corporate Services and Commissioner of Community and Health Services and Chief Planner now follows:

### **1. Recommendations**

It is recommended that:

1. Council endorse the following principles for development of a purpose built rental affordable housing incentives framework that targets mid-range income households:
  - a. Apply to purpose built rental tenure only
  - b. Priority given to high-rise and mid-rise developments
  - c. Priority given to development in regional and local centres and corridors
  - d. York Region incentives be contingent on the local municipality offering similar or better incentives
  - e. Proponents be required to share pro forma work with staff
  - f. Projects with support from senior levels of government be prioritized
  - g. Restrictive covenant registered on title requiring that the property be developed and operated as a rental apartment complex for no less than 20 years
  - h. Incentives offered may be tied to the duration the project will remain rental, duration of affordability and/or depth of affordability provided
2. Staff report back to Council in Q2 2018 with a proposed Mid-Range Income Affordable Housing Incentives Framework based on the principles in Recommendation 1.
3. This report be circulated by the Regional Clerk to the Clerks of the Local Municipalities.

## **Housing Initiatives and Incentives Update**

### **2. Purpose**

This report highlights progress made on Council's November 2016 direction to establish a York Region/Local Municipal Housing Working Group and identify the necessity and/or extent of an affordable housing incentives framework. The report seeks Council endorsement of the principles outlined in Recommendation 1 for development of a mid-range affordable housing incentives framework. The focus of the incentives framework is to stimulate the construction of purpose built rental units affordable to middle-income households.

### **3. Background and Previous Council Direction**

#### **Housing is a cornerstone of Complete Communities**

Complete communities include a variety of housing options that meet the needs of residents of all ages, stages and abilities. A variety of housing options includes a mix and range of both ownership and rental housing that is affordable, suitably sized and in good condition. A diverse mix and range of housing options, including affordable options, is a major contributor to the quality of life of residents and workers, the economy, individual and community health and well-being.

#### **2016 Census data confirms that housing affordability pressures in York Region continue, particularly in the rental market**

Staff produced a 2016 Census Release Report on Housing which identifies a number of indicators of ongoing housing affordability and supply pressures in York Region, including:

- Twenty-eight per cent of owners and fifty-two per cent of renters are spending 30 per cent or more of income on housing costs. This is a broadly accepted indicator of households that are spending too much on housing. These are the highest proportions in the GTHA
- While the supply of rental housing in York has increased from twelve to fourteen per cent of total housing stock since 2011, internal data sources indicate that this growth is predominately in the non-profit, ground related and secondary markets (i.e. units developed and sold as ownership now being rented out)

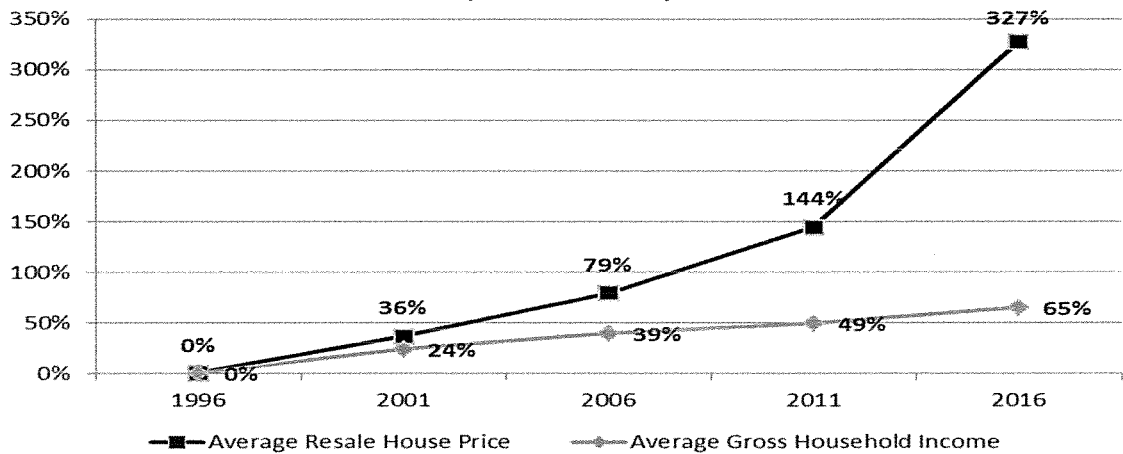
#### **Housing affordability and low rental supply issues are on-going**

Housing prices have continued to escalate at unprecedented rates when compared to income. As shown in Figure 1, average resale house prices have

## Housing Initiatives and Incentives Update

increased by over three hundred and twenty-five per cent between 1996 and 2016 whereas average gross household incomes have only increased by sixty-five per cent. Affordable home ownership is now out of range for many, including those at moderate or mid-range income levels.

**Figure 1**  
**York Region Resale House Price and Gross Household Income Increases (1996 to 2016)**



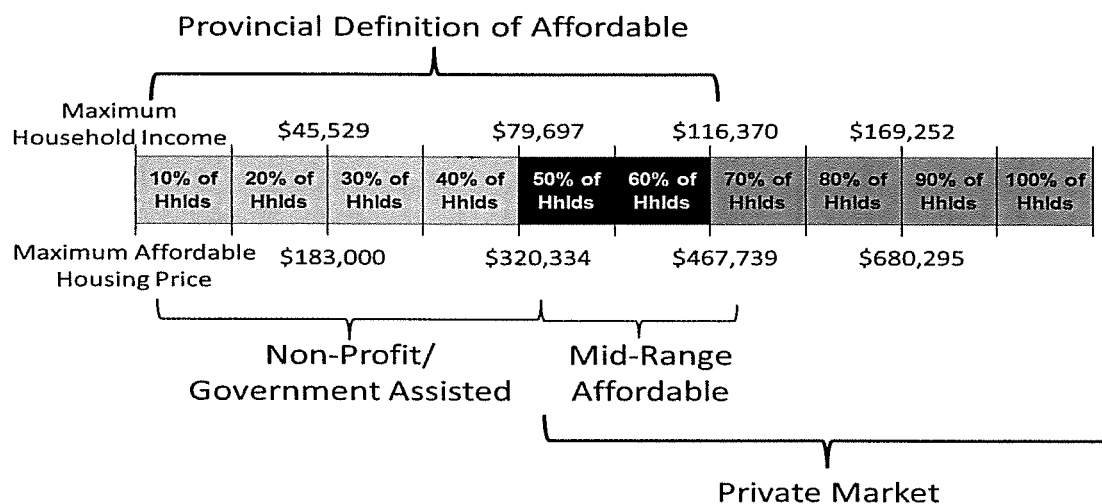
Demand for more choice in both ownership and rental housing will increase as the Region continues to grow and diversify. More rental housing options would assist with meeting housing needs, but there is limited interest in developing purpose built rental within the current planning and regulatory framework. In addition to ownership developments being more profitable, development proponents have referred to the impact of rent control, senior government tax disincentives and tenant protections as being deterrents.

### **Housing constraints for the mid-range income group are increasing**

From an income perspective, the housing market can be viewed as containing three distinct but overlapping segments (Figure 2).

## Housing Initiatives and Incentives Update

**Figure 2  
Housing Market Segments**



1. The Non-Profit/Government Assisted segment supports the needs of households that may qualify for additional supports to find acceptable housing in the Region. In general, this is the lowest earning 40 per cent of households.
2. The Mid-Range Affordable segment addresses the needs of households classified as “affordable” based on the Provincial definition, but do not qualify for additional supports. In 2016 this included households with incomes that ranged from approximately \$80,000 to \$116,000 which allowed for maximum affordable home purchase prices that ranged from approximately \$320,000 to \$468,000. The intention is that this segment be served by the private market.
3. The Private Market segment consists of the highest earning 60 per cent of households and incorporates the mid-range affordable segment. Households in this segment have traditionally been able to afford market housing.

While the segments are distinct under Provincial definitions, they also overlap. In addition to income, the ability to pay for housing is impacted by other factors such as household resources and assets, the number of people in the household and other household expenses. Households at the upper end of the non-profit/government assisted segment likely do not qualify for housing or income supports and more households in the “private market” segment are struggling to afford suitable housing in the private market. Therefore, the mid-range income affordable segment may be as low as the third decile to as high as the eighth decile of the income distribution.

The focus of the York Region/Local Municipal Housing Working Group and development of a Housing Incentives Framework is the Mid-Range Affordable segment of the housing market.

## **Housing Initiatives and Incentives Update**

### **Demand for rental housing continues to increase**

Rental housing is a vital component in the housing continuum. It provides housing for people who do not want the expense or responsibility of maintaining an ownership dwelling and is the only option for low and moderate income residents and workers who cannot afford housing in the ownership market.

There are a number of factors that are increasing the demand for rental housing in York Region. Key demographic factors include an aging population (as identified through the York Region Seniors Strategy) and the ongoing diversification of the population. Economic drivers include high home ownership costs relative to income and the changing nature of the economy. Rental housing provides choice for skilled employees who are often retained through contracts and subsequently do not desire permanent, long-term housing commitments. Rental housing also provides options for low and moderate income earners who are often pushed out of the Region's housing market altogether and are required to commute from surrounding areas.

### **Federal and Provincial Governments have introduced plans and policies to help address housing need for those with mid-range incomes**

Canada's National Housing Strategy: A Place to Call Home is a 10-year, \$40-billion plan. The Strategy includes the Rental Construction Financing Initiative which provides loans to lower costs to development proponents and encourage the construction of rental housing.

At the Provincial level, the Promoting Affordable Housing Act, 2016 includes, among other things, permissions for inclusionary zoning allowing municipalities to require affordable housing units as part of residential developments. The associated draft regulations were issued for comment in mid-December 2017. As articulated to Council in January 2018 report, staff concluded that draft regulations proposed by the Province limit the feasibility of using inclusionary zoning to achieve more affordable housing in York Region. The regulations require mandatory municipal financial contributions, restrict the use of inclusionary zoning for purpose built rental housing and limit the maximum amount of affordability achieved to only five to ten percent of the development.

The new Growth Plan for the Greater Golden Horseshoe includes a number of housing related changes. The profile of housing has been elevated within the Plan through new and expanded content and direction. A Housing Strategy continues to be required and the Province has committed to providing Guidelines to support the incorporation of the Housing Strategy into the Municipal Comprehensive Review.



## **Housing Initiatives and Incentives Update**

Many housing offsets made available through Federal and Provincial programs require or encourage municipal participation.

### **The Provincial Development Charge Rebate Program was released in December 2017 in support of the Ontario Fair Housing Plan**

The Ontario Fair Housing Plan includes 16 Actions to help address housing supply and demand as well as to help protect renters and homebuyers. In support of this plan, on December 20, 2017 the Province released the parameters of the Development Charge Rebate Program which is meant to increase the supply of housing, specifically purpose built rental development. The Program is funded for \$125M across the Province over five years, starting with a \$25M allotment in 2018-19.

The Province has identified select single and lower-tier municipalities in need of new purpose-built market rental housing. Those municipalities have been invited to submit an Expression of Interest to participate in all five years of the program. In York, all municipalities but Georgina received this invitation to participate. The deadline for submission is March 2 and allocations for the first three years of the program will be announced in Q2 2018. The Province has noted that not all municipalities that request funding will receive it, and those that do may not receive the full amount requested.

While the details of program implementation are still being discussed with Provincial staff and local municipal staff that are eligible to apply, the Development Charge Rebate Program seems to provide opportunities to support purpose built rental development.

### **The York Region/Local Municipal Housing Working Group was formalized in late 2016**

In November 2016 Council received a report on the formation of a York Region/Local Municipal Housing Working Group (Working Group) to explore options to address housing supply and affordability issues. Council recommended that “staff report back to Council on the outcome of discussions held at the York Region/local municipal housing working group on the necessity and/or extent of a housing incentives framework.” This report is the first report back, and seeks direction from Council on the principles to develop an incentives framework to support purpose built rental units for mid-range income housing needs.

The Working Group held six meetings in 2017. At these meetings local municipal best practices were shared and external speakers from groups such as CMHC, the Province, the Housing Action Lab, the financial sector, and the development industry provided presentations on successful initiatives, programs and

## **Housing Initiatives and Incentives Update**

partnerships. The Group brainstormed options to stimulate mid-range income housing development and assessed the financial viability of ownership and rental developments that incorporate affordable units as per Regional Official Plan direction, with and without incentives provided.

### **4. Analysis and Implications**

#### **The Working Group has identified that high rise and mid-rise rental developments in Regional and local centres and corridors should be the focus of the Housing Incentives Framework**

Based on research and analysis undertaken throughout 2017, the Working Group has recommended that focussing on high and mid-rise developments particularly in Regional and local centres and corridors provides the greatest opportunity to increase mid-range income housing through the use of incentives. The research and analysis has been vetted by stakeholders including the development industry (BILD) and provincial staff. The gap between actual and viable returns in lower density developments and in other locations is so large that an unreasonable amount of incentive would be required. The work also confirms that financial incentives are not required to deliver affordable ownership units as ownership developments are providing strong, viable returns, even with affordability requirements incorporated.

These findings reinforce earlier research conducted by the Human Services Planning Board and align with the objectives of the Make Rental Happen Campaign.

#### **Private purpose built rental developments provide housing options and stability for York Region residents**

The rental supply in York Region increased between 2006 and 2016 from twelve per cent to fourteen per cent of the total housing stock. However, based on completion data, the majority of this growth has been in the secondary market and more purpose built rental is required. While the secondary market is an important segment of the overall rental market, there are risks when relying on the secondary market for growth in rental units.

The secondary market is particularly susceptible to financial trends. If the carrying costs of a unit outpace the rent that the owner is able to charge or the owner chooses to use the unit, the unit may be removed from the rental market. The Bank of Canada increased its key lending rate to 1.25 per cent in January 2018, the third increase since Q3 2017. If this trend continues, there is a risk that ownership households could be pushed out of the ownership market thus

## **Housing Initiatives and Incentives Update**

increasing the demand for rental housing. This potential decrease of supply and increased demand would result in a further constrained rental market.

Encouraging greater housing choice and increased stability through the enhancement of the purpose built rental market is of paramount importance to the Region's well-being.

### **Regional Council approved a policy for a 36 month Regional development charge deferral for purpose built mid and high density rental buildings**

In November 2013 York Region Council approved support for the construction of 225 private purpose built rental units at 212 Davis Drive in the Town of Newmarket.

A 36 month Regional development charge deferral secured against the mortgage rather than through a letter of credit was approved. This deferral was contingent on the Town of Newmarket providing similar or better support and the development proponent agreeing to maintain the property as rental for a minimum of 20 years. The Town of Newmarket deferred development charges, building permit fees and cash in lieu of parkland for up to 36 months.

The support provided by the Region and Town resulted in construction of the first substantial private purpose built rental development in York Region in over 30 years. The development aligns with the Region's urban structure and transportation investment, being located on a Regional Corridor with dedicated rapid transit lanes. As part of the partnership with the proponent, the Region has accepted 30 units to reserve for households that receive Regional rent subsidies.

Based partially on this pilot project, in May 2017 Regional Council approved a policy for a 36 month Regional development charge deferral for purpose built mid and high density rental buildings subject to the terms and conditions set out in the associated policy.

### **A number of financial incentives are being considered for incorporation into the Mid-Range Affordable Housing Incentives Framework**

The Working Group considered the following potential financial incentives available to municipalities to support mid-range affordable housing developments:

- Development charge deferrals and grants (both regional and local)
- Building, planning and engineering fee deferrals and waivers

## **Housing Initiatives and Incentives Update**

- Other waivers (cash in lieu of parkland and public art)
- Reductions to construction costs (minimized construction costs, reduced parking)
- Provision of surplus public land
- Density bonuses (Section 37 of the *Planning Act*)
- Tax increment equivalent grants

Other incentives being considered as part of the broader approach to supporting mid-range income housing needs include expedited development application processing and other process related considerations. The evaluation of an incentive by the Working Group does not guarantee it being in the Housing Incentives Framework. A number of the incentives may not be financially viable or the cost to the community may be too high.

The impact of an incentive is directly related to the cost of providing it. Due to land and construction cost variations by location and building type, there is no standard per unit cost that can be applied to achieve viability equally across the Region. Rather, the framework will identify a pick list of viable local and Regional incentives and each development application will need to be evaluated to determine the appropriate degree and mix of incentives, if any.

An incentive vehicle will be a key component of the framework as it is the mechanism used to deliver or facilitate the incentives (i.e. to legally permit the Region and local municipalities to release money). Vehicles best suited to deliver financial incentives will be explored through development of the framework. Options include inclusionary zoning, municipal capital facilities bylaws and community improvement plans.

### **Collaboration with local municipal staff has been crucial in developing the principles of the framework**

Incentives may be Regional and/or locally supported, but may be implemented at the local level. Through the Working Group, local municipal staff have strongly supported the development of the Framework by evaluating the feasibility and effectiveness of incentives and providing local context to pro forma and incentive research. It is Regional staffs intention to maintain the Working Group in 2018 to finalize the housing incentive framework and continue discussing housing strategies related to the Municipal Comprehensive Review.

## **Housing Initiatives and Incentives Update**

### **Partnerships are key to achieving mid-range affordable housing**

For a development that incorporates mid-range affordability to be viable, a number of incentives may need to be offered, particularly for purpose built, family sized units in central areas. Some potential incentives may be offered by upper and/or lower tier municipalities; however, municipalities generally do not have the financial capacity to close the gap to viability on their own. Partnerships and joint responsibility will be required to ensure a successful housing incentives framework.

The National Housing Strategy is a good first step; however it does not significantly address mid-range housing needs but rather targets greater depths of affordability. While the Ontario Fair Housing Plan is also a step in the right direction, the majority of the commitments are policy rather than financially based. The Federal Rental Construction Financing Initiative and the Provincial Development Charge Rebate Program may help stimulate purpose built rental development and are contingent on or encourage municipal participation respectively. While renewed Provincial focus on supporting mid-range housing is positive, there are complexities around implementation in a two-tiered municipal system.

The need for partnerships, local municipal participation and coordination with programs offered by senior levels of government are reflected in the proposed principles.

### **The York Region/Local Municipal Housing Incentives Framework will contribute towards supporting mid-range housing needs**

A Mid-Range Affordable Housing Incentives Framework will be developed to support construction of private purpose built rental housing that incorporates affordability as per the Regional Official Plan. The Framework will focus on mid-rise and high rise rental developments with priority given to locations in regional and local centres and corridors and will be the municipal contribution towards supporting mid-range housing needs. Staff will continue to work with the Working Group to evaluate potential incentives and report back to Council with a draft Framework in Q2 2018.

Additionally, staff will continue to develop a broader approach for housing through the Municipal Comprehensive Review, respond to senior government initiatives such as the National Housing Strategy, Fair Housing Plan and Inclusionary Zoning, and develop and update policies and research, including:

- Monitoring the supply of new housing for affordability
- Developing the Housing Strategy for the Municipal Comprehensive Review

## **Housing Initiatives and Incentives Update**

- Updating Regional Official Plan affordable housing policies and targets through the Municipal Comprehensive Review
- Updating the York Region Housing Plan
- Updating key documents such as Housing Matters
- Providing input to related initiatives such as the Seniors Strategy and Community Hubs work

### **The Housing Incentives Framework supports the goals of Vision 2051, the Regional Official Plan and the 2015 to 2019 Strategic Plan**

Establishment of the York Region/Local Municipal Housing Working Group and the development of a Mid-Range Affordable Housing Incentives Framework support the following York Region plans:

- Vision 2051 goal for Appropriate Housing for All Ages and Stages
- Regional Official Plan objective to promote an appropriate mix and range of acceptable housing to meet the needs of residents and workers
- 2015 to 2019 Strategic Plan objective to increase the range of available and affordable housing choices

Additionally, development of a Mid-Range Affordable Housing Incentives Framework will support key regional housing related goals:

- Housing Solutions: A Place for Everyone 10-Year Housing Plan goal to increase the rental housing supply
- Making Ends Meet in York Region community result of housing options that are affordable for everyone in our community and the Human Services Planning Board of York Region 2016 to 2018 Action Plan

## **5. Financial Considerations**

The work completed by staff and the York Region/Local Municipal Housing Working Group towards developing a Mid-Range Affordable Housing Incentives Framework has been done within the existing Regional staff complement, and within the approved business plan and budget.

Further details and recommendations regarding budget for the Framework will be incorporated into the draft Framework to be presented to Council in Q2 2018. As

## **Housing Initiatives and Incentives Update**

the Mid-Range Affordable Housing Incentives Framework is finalized, budget requirements will be addressed through the annual budgeting process.

### **6. Local Municipal Impact**

Local municipalities are key partners in addressing mid-range income affordable housing needs through the private market. Local municipal staff provide local expertise and input and are best positioned to deliver a number of potential municipal incentives such as relief from fees or building permits or density bonusing in accordance with the *Planning Act*. Additionally, they are the most immediate contact for development proponents to negotiate affordability and associated incentives.

Input received through the York Region/Local Municipal Housing Working Group has been instrumental in gaining a better understanding of local housing markets and challenges. For a Mid-Range Affordable Housing Incentives Framework to be viable, local municipal participation will be required. In recognition of the need for local municipal partnerships, senior staff have presented to all nine local municipal Councils on this initiative to increase awareness and garner support for partnership delivery of a mid-range housing framework.

### **7. Conclusion**

A full mix and range of housing options, including mid-range income affordable housing options is a cornerstone of complete communities. Due to a number of factors, the supply of mid-range affordable housing options is increasingly limited.

York Region/Local Municipal Housing Working Group analysis to date has determined that a Mid-Range Affordable Housing Incentives Framework is most appropriate to stimulate high-rise and mid-rise rental developments in regional and local centres and corridors. The Framework would provide for Regional and local financial contribution towards increasing mid-range housing options to support complete communities.

It is critical that all level of government partner to find housing solutions for all segments of the housing continuum, including the mid-range segment.

To support the development of a draft Mid-Range Affordable Housing Incentives Framework, staff have provided Council with principles of the Framework in Recommendation 1. Staff intends to present Council with a draft Framework in Q2 2018.

## **Housing Initiatives and Incentives Update**

For more information on this report, please contact Sandra Malcic, Manager Policy and the Environment at 1-877-464-9675 ext. 75274, or Lisa Gonsalves, Director of Strategies and Partnerships at 1-877-464-9675 ext. 72090.

The Senior Management Group has reviewed this report.

January 26, 2018

8161175

Accessible formats or communication supports are available upon request