



TO: MAYOR J. LEHMAN AND MEMBERS OF COUNCIL FILE: D18-BUI

FROM: S. NAYLOR, M.E.S., M.C.I.P., R.P.P., DIRECTOR OF PLANNING SERVICES

NOTED: R. FORWARD, MBA, M.Sc., P. ENG. 
GENERAL MANAGER OF INFRASTRUCTURE & GROWTH MANAGEMENT

C. LADD, CHIEF ADMINISTRATIVE OFFICER 

RE: PROPOSED BUILT BOUNDARY COMMUNITY IMPROVEMENT PLAN STAFF REPORT PLN009-16

DATE: JUNE 20, 2016

In follow up to General Committee discussions on June 6, 2016 regarding Staff Report PLN009-16 and the proposed Built Boundary Community Improvement Plan, additional information was requested regarding the following matters:

- a) Further clarification regarding the definition of affordable rental housing.
- b) Additional information regarding options to incentivize affordable home ownership through CIP or other incentives.
- c) Affordable Housing Strategy Targets.

Definition of Affordable Rental Housing

The definition of affordable rental units in Section 7.2(c) of the draft CIP attached to Staff Report PLN009-16 is:

- c) Affordable rental housing defined as:
 - i) A unit for which the rent does not exceed 30 percent of the gross annual household income for low and moderate income households.
 - ii) A unit for which the rent is below the average market rent of a unit in the regional market.

The definition for affordable rental housing in the Provincial Policy Statement, the City's Official Plan, and the City's Affordable Housing Strategy varies from this definition and is as follows (differences are bolded and italicized):

In the case of rental housing, ***the least expensive of:***

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

The memorandum which was provided to General Committee as part of the "additions" package on Monday, June 6, 2016, identified the intent of and potential wording to be added to the CIP definition

to align it more closely with the definitions in the Provincial Policy Statement, the City's Official Plan, and the City's Affordable Housing Policy. The variance in the definition was subtle but critical for the following reasons.

The definition in the CIP as attached to Staff Report PLN009-16 provides two methods of determining affordability; one is based on gross household income and the other is based on average market rents. The CIP definition however does not make it clear which criteria should be applied and the resultant difference could be quite significant. The definitions in the other documents referenced above make it clear that the least expensive of the two criteria will be applied. An amendment to the definition of affordable rental housing in the CIP to reflect the definition in the other three documents would provide clarity to prospective applicants that affordability will be based on the least expensive of the two criteria. An amendment to the definition will be prepared for the meeting on June 20, 2016.

Market Rent or Below Market Rent

The Provincial Policy Statement, the City's Official Plan and the City's Affordable Housing Strategy refer to affordable rental housing as units for which the rent is "at or below" average market rents. Notwithstanding any amendments to the definition described above, the recommendation in Staff Report PLN009-16 identified that to be eligible for incentives under the CIP, units should be below average market rents. Although not specified in the CIP, it is staff's intention to apply approximately 20% below average market rents. This is based on the Ministry's requirement for funding under the AHP or IAH funded programs and formed the basis for the County's original thresholds for their funding programs. This information was communicated through the public consultation process and staff are proposing to include this affordability threshold as part of the application forms for redevelopment grants. The application forms would also include a statement indicating that these thresholds may change from time to time and applicants should consult with the Planning Services Department. This allows Council to change the threshold from time to time based on a variety of factors including uptake, vacancy rates and prioritization without requiring a full scale amendment to the CIP including public meetings, open houses and Ministry consultation. The CIP contains provisions for annual reporting and if affordability thresholds require revisions, staff will address the matter through this annual report. Revised numbers will be posted on the City's website and finally, all applicants will be advised of these thresholds through the site plan pre-consultation well in advance of actually submitting an application for the redevelopment grant.

The rationale in applying "below" market rent in the proposed CIP is that the most effective use of limited public funds would be for rental units that are offered below average market rents in order to address the area of greatest need.

However, the CMHC Rental Housing Report (2015) indicates that the vacancy rate in Barrie dropped from 1.6% to 1.3% from 2014 to 2015. A healthy vacancy rate is 5%. Consequently, there is definitely merit in providing incentives for rental housing at average market rents to incent the creation of new rental housing. However, staff recommended in Staff Report PLN009-16 that incentives be provided only for units below market rents because, as indicated in the Affordable Housing Strategy, rents in Barrie are currently the sixth highest of any municipality in Canada. Staff are of the opinion that incenting new units at this price point will only exacerbate this issue and that the most effective use of public funds is to incent new units in Barrie at lower than the current market rents.

If Council wishes to incent rental units at average market rents, the CIP definition can be amended accordingly.

Incentivizing Affordable Home Ownership

The question of incentivizing affordable home ownership has arisen on a number of occasions through a variety of initiatives that the City is exploring. The issue was raised by Mr. Sean Mason at the time of the public meeting and is addressed in paragraph 33 of Staff Report PLN009-16. It was

also addressed at the time of the public meeting by Merwan Kalyaniwalla, Manager of Policy Planning.

The issue of incentivizing affordable ownership through financial incentives (and in fact through other methods currently being reviewed) is that there is no mechanism to ensure that those units remain at an affordable price point. Unlike rental housing where the City can require that the owner of the unit enter into an agreement to maintain rents at a specific price point, there is no way of ensuring that ownership units, even if originally sold at an affordable price point, will remain that way through the second, third or fourth sale and beyond. Without that surety in place, incentivizing ownership units may simply create a fertile market place for speculators and drive the price of housing higher.

As indicated at the public meeting, staff have already contacted a variety of other municipalities to determine if incentives are offered for ownership models and, as was reported at the public meeting, there are programs in place to provide incentives for home ownership. These incentives are provided by Housing Service providers (in this case the County of Simcoe) and are provided directly to the home purchaser and not to a developer. In this model, the purchaser has to satisfy the service provider of need (based on income), and then enters into an agreement with the Service Provider ensuring that the need continues and that the unit remains affordable. The Service Provider in effect becomes a low interest lending agency. This ensures the incentives are provided to the end user rather than a developer or a speculator.

There are other measures under review as well for incentivising an ownership model for affordable housing. A public meeting will be held on June 20, 2016, to consider proposed official plan policies and reduced zoning standards which are being recommended by the Built Form Working Group to encourage the development of affordable housing including ownership. If approved, it is hoped that these revised standards will reduce overall costs which can be passed on to purchasers or tenants.

The Built Form Task Force is also reviewing potential financial incentives including a reduction in development charges, however the same concern with respect to ensuring the long term affordability remains a challenge in this regard.

Council should also be aware that the Province has tabled Bill 204 which is proposing to allow municipalities to require inclusionary zoning, and also includes recommendations for reduced fees and development charge reductions for certain types of affordable housing, including ownership models. Staff will continue to monitor this legislation, suggest the City provide comments on the draft Bill (if warranted) and will keep Council informed of the status of the Bill and its implications.

With regard to the issue of providing incentives for not-for-profit "sweat equity" service providers such as Habitat for Humanity or other models providing home ownership, Council should be aware that tools already exist under Section 9 of the CIP allowing for the acquisition and disposal of land which would arguably provide the greatest incentive to these organizations. However, if Council determines that financial incentives should also be offered in addition to this existing incentive, the CIP could be amended to provide general wording identifying that incentives are available to not for profit organizations which provide home ownership models and which have processes in place to ensure the maintenance of affordability through subsequent purchases and sales. Detailed criteria for these types of service providers can be included in the revised application forms which will be prepared over the summer of 2016. The language in the CIP, should Council direct staff to amend the document, could read as follows:

The Redevelopment Grant is also available to Not-For-Profit service providers which offer affordable home ownership units and which have processes and/or mechanisms in place to ensure the continued affordability of the unit for a specified period of time. The provisions of the Redevelopment Grant for this form of affordable housing would be the same as the provisions for Affordable Rental housing.

Affordable Housing Strategy Targets

The City's Affordable Housing Strategy identifies 10 year housing target as follows:

Location	Units affordable to persons making...				Rent-Geared to Income	Affordable Homeownership Dwellings <\$30,000 per year	Total Affordable Dwellings required
	<\$642 per mth	\$643 - \$1,149 per mth	\$1,150 - \$1541 per mth	\$1,542 – \$2,596 per mth			
City of Barrie	200	123	171	47	252	47	840
Simcoe County	518	341	649	174	805	198	2,685

These targets align with the County of Simcoe's 10 Year Affordable Housing and Homelessness Prevention Strategy.

The proposed CIP will support and facilitate the City's ability to meet its affordable housing targets.



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