

# The Municipal Role in Meeting Ontario's Affordable Housing Needs

## An Environmental Scan of Municipal Initiatives and Practices



*A Report Prepared for*

***The Ontario Professional  
Planners Institute***

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### **OPPI Policy Development Committee**

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## **1. INTRODUCTION**

As part of its initiative to advance creative solutions for emerging issues in planning policy, the Ontario Professional Planners Institute (OPPI) sponsored the development of this *Environmental Scan* and its companion piece: *The Municipal Role in Meeting Ontario's Affordable Housing Needs: A Handbook for Preparing a Community Strategy for Affordable Housing*.

With the dawn of the Millennium has come a significant shift in the focus of responsibility for ensuring the availability of affordable housing to meet the needs of Ontario residents. The Federal Government, once a major funder of programs aimed at the provision of affordable housing, has pulled out of virtually all such initiatives. Likewise, the Government of Ontario has terminated virtually all funding for various forms of affordable housing and has withdrawn a variety of legislation developed by previous Provincial Governments (such as Bill 120 which permitted accessory apartments as-of-right in all residential areas) which contributed to providing and maintaining affordable housing in Ontario.

The prospect of a return to former levels of funding for the provision of affordable housing by senior levels of government is dim. Despite widespread calls for such action, minimal response has been received from either the Federal or Provincial Governments. Given the continued focus of these governments on deficit reduction, privatization and downsizing, communities simply can no longer depend on receiving previous levels of support.

Nevertheless, the need for a variety of affordable housing continues to grow throughout Ontario. Faced with the above-noted withdrawal of senior government funding, municipalities face a simple reality—either take the lead in addressing the needs of the local community, or the municipality's own residents will be forced to suffer increasingly severe social and economic impacts.

The devolution process results in municipalities taking over the responsibility for administering social housing in Ontario. With this responsibility, however, comes the opportunity to identify other associated roles that can be taken on by municipalities to meet affordable housing needs. At the same time, municipal restructuring in many areas (especially in larger municipalities such as Toronto, Hamilton and Ottawa) provides a timely opportunity to carefully examine the municipal role in the provision of affordable housing and set into place a well-developed, comprehensive housing strategy. Changing financial relationships among different levels of government may provide further opportunity for positive action.

In view of the above situation, the need and opportunity for municipalities to develop coherent, pro-active approaches to the provision of affordable housing has never been greater. This *Environmental Scan* and accompanying *Handbook* identify the range of tools potentially available to municipalities to meet affordable housing needs and sets out

a suggested process through which a comprehensive municipal housing strategy can be developed within the context of the current Provincial policy framework.

This *Environmental Scan* is based on primary research gathered from a survey of OPPI members conducted in August 2000, as well as secondary research of available information on the topic of affordable housing initiatives. Sources of information reviewed for the *Environmental Scan* are identified in the Appendix. The *Handbook* was developed using information from the *Environmental Scan* and additional research on the topic of strategic planning. OPPI's Policy Development Committee provided important guidance throughout the development of both documents.

The paper is aimed at not only providing a practical planning tool to guide communities through the process of preparing comprehensive municipal housing strategies, but also at spreading awareness about the increased responsibility of local communities to play a leadership role in the planning and provision of all aspects of affordable housing. As the devolution process takes hold, this paper will provide assistance to municipalities in understanding the full extent of their potential role.

The accompanying *Handbook* describes the process for developing a meaningful and comprehensive community affordable housing strategy. This *Environmental Scan* supplements the *Handbook* through providing a wide range of information which can help in this process. Included in this *Environmental Scan* is information on:

- the history of municipal involvement in the provision of affordable housing
- the changing Provincial policy framework
- tools available to municipalities to help meet affordable housing needs
- the legislative framework for strategy development
- examples of current practices used by municipalities to help meet affordable housing needs

OPPI is pleased to offer this information as part of its contribution to improving Ontario's communities and to helping support the efforts of planners in this regard.

## **2. THE HISTORY OF MUNICIPAL INVOLVEMENT IN THE PROVISION OF AFFORDABLE HOUSING**

### **A) Early Municipal Initiatives**

Municipalities across Ontario have played a significant role in meeting the affordable housing needs of local residents since at least the early days of the twentieth century. Numerous municipalities in Ontario undertook initiatives dating back to the Depression of the 1930s and earlier to help those in need of shelter.

Many of these early initiatives were carried out with little or no assistance from other levels of government. Often, municipalities worked hand-in-hand with local charities and social support groups to identify needs and determine solutions suited to local conditions and resources.

One such example is the work of the Toronto Housing Company Limited, a municipally-based non-profit housing corporation formed in the early days of the century to help meet affordable housing needs. The Toronto Housing Company Ltd. represents one of the first municipal attempts to directly participate in the housing market through the production of low cost dwelling units. In retrospect, its goals and operating procedures are amazingly similar to some of the programs used by government in recent years for the provision of low-cost housing.

In 1912, City Council became concerned about a shortage of housing in the City, particularly for low income workers. A joint Committee was formed, representing the City, The Board of Trade, the Manufacturers Association, and the Civic Guild. The Committee decided that the best way to resolve the problem was to form a company to construct low cost units for the working man. The Toronto Housing Company was incorporated on May 30, 1912, under the *Ontario Companies Act* for this purpose.

In assessing the need for housing in the City, the Company came to the conclusion that the greatest need was for low-cost rental housing. The Company constructed for rental purposes six small houses on Spruce Street and 328 apartment suites on Spruce Street and Bain Avenue. Rents ran from \$19.00 per month for a two-room unit to \$38.00 per month for a six-room apartment, and were more than 20 percent below market.

Although its activities wound down during the Depression of the 1930s, the Company showed that municipal government could take a very direct and active role in providing affordable housing at prices below those of the private sector, without the aid of Federal or Provincial funding. Subsequently, the City itself purchased the Bain Avenue and Spruce Court apartments in the 1970s as the starting point for a new Municipal Non-Profit Housing Corporation (Cityhome).

A second similar municipal initiative of this nature also took place early in the twentieth century immediately following the First World War. During this war, housing production throughout Ontario and the rest of Canada was reduced to a trickle. Existing sub-standard dwellings were excused from repairs or demolition due to the severe economics of the time. Housing demand was repressed, as many men went off to war leaving their families to double up with friends and relatives, and many workers lived in shared accommodation. Immediately after the War, when housing demand increased tremendously with the return of veterans, the lack of housing production was reflected in greatly increased accommodation costs.

The City of Toronto Housing Commission published a report in December, 1918, in which it was observed that the City was beset by dropping vacancy rates, a declining proportion of home-owners, declining housing production, substantial evidence of overcrowding, rapidly rising prices, and an increase in population resulting from the influx of wartime workers in the City and the expected return of several thousand veterans. The report recommended a number of initiatives to provide affordable housing, including the release of surplus public lands for housing (the forerunner of today's "housing first" policy in many communities).

Shortly after 1919, the Commission erected 236 houses and sold them under purchase agreements with a 10 percent down payment at 5 percent over 20 years. The Commission's activities wound down as the wartime crisis passed.

Municipalities at the time also played a strong advocacy role in calling for support from senior levels of government to help address this crisis situation. Largely as a result of a strong municipal voice, both the Federal and Provincial Governments of the day moved ahead with affordable housing programs. Municipalities played an integral role in the delivery of these programs.

Over time, further initiatives were undertaken by many municipalities. The City of Windsor, for example, developed a landbank which was eventually sold as part of a public/private partnership initiative to support the development of affordable housing. The City of Kitchener became one of the first municipalities in Ontario to permit zero lot-line development to enable the construction of a number of highly affordable single family homes. A number of municipalities participated in initiatives leading to the development of various forms of subsidized housing.

These examples illustrate that municipalities in Ontario have a long history of taking action, often in a very direct manner, to help identify and meet local affordable housing needs, sometimes with the aid of senior levels of government, but often with simply their own community resources. Throughout Ontario's history, municipalities have played a strong leadership role in this regard. Recent events have thrust these responsibilities directly upon them once again.



## **B) Devolution of Social Housing: Municipalities Again Thrust into Leadership Role in Meeting Affordable Housing Needs**

As shown on the previous pages, for many years the provision of affordable housing to meet local needs often took the form of direct intervention by municipalities to build and operate housing for those of lower income. In 1964, however, the Ontario Government formed the Ontario Housing Corporation (OHC) and took on the major responsibility for the provision and management of one of the major elements of affordable housing, public housing.

OHC public housing projects were provided in communities across Ontario to meet the needs of families and seniors unable to secure adequate, affordable housing on the open market. In many cases, this involved transferring ownership of municipally-initiated social housing projects (such as Regent Park in Toronto) to the Provincial level. Local Housing Authorities, reporting to the OHC, were set up across the Province to operate these public housing projects. While municipalities initially contributed a small cost-share towards the operation of this housing and had representation on the Local Housing Authority Boards, the municipal role in direct provision of affordable housing became quite limited.

In the late 1970s and early 1980s, however, there was a resurgence of interest and activity among municipalities in Ontario. Changes to the *National Housing Act* provided legal and financial mechanisms by which municipalities (as well as other community-based not-for-profit organizations) could form non-profit housing corporations and build and operate social housing projects. The projects differed from public housing operated by OHC in that these usually incorporated a mix of tenants paying rent-geared-to-income rents and those paying market rents, whereas OHC projects were 100 percent rent-geared-to-income. Dozens of municipalities across Ontario eventually moved ahead with such initiatives. Federal and Provincial funding formulas enabled these projects to be built and operated with no direct municipal contributions. Largely due to the success of these projects, OHC stopped building public housing in 1978.

In the early 1990s, the Federal Government (and most other provinces) decided to terminate funding for the development of any new social housing, leaving the Province of Ontario as one of the only financial contributors to new social housing development. When the Progressive Conservatives took office in 1995, one of its first actions was to terminate Provincial funding for the development of permanent social housing, leaving Ontario without any senior government financial resources for the development of social housing. Since that time, there have been some very modest initiatives by both levels of government aimed at very specialized needs, such as emergency shelters or transitional housing for the mentally challenged. Both levels of government have made it clear that there is no likelihood of renewed senior government funding for permanent social housing development.

Shortly after terminating funding for new social housing development, the Ontario Government announced that it was not only pulling out of its role as funders of new social housing development, but that it also intended to transfer the responsibility for both the administration and the ongoing funding of existing social housing to the municipal level. These responsibilities would be assigned to municipal service organizations called Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) (service areas that basically correspond to upper tier municipalities) as part of local service realignment.

The signing of the Federal-Provincial Social Housing Agreement on November 15, 1999, enabled the Province to move ahead with devolution. In October, 2000, the Minister of Municipal Affairs and Housing tabled Bill 128, *Social Housing Reform Act, 2000*, transferring responsibility for administering social housing to municipal CMSMs and DSSABs. Not only was administrative responsibility being transferred; the Province was also transferring ownership and operating responsibility for all OHC public housing in Ontario to the CMSMs and DSSABs, effective January 1, 2001. This bill was passed and the *Act* proclaimed on December 14, 2000.

Municipalities in Ontario had been paying the social housing subsidy bill since January 1, 1998. Now it will own and operate a major portion of the social housing stock and administer most of the rest.

This marks the full return of municipalities to their former role as the central focus in meeting Ontario's affordable housing needs. Without the funding support of the Federal and Provincial Governments and with a legal mandate to own, operate and/or administer the bulk of Ontario's social housing stock, municipalities are now faced with both the responsibility and opportunity of meeting this challenge.

### **3. CHANGING PROVINCIAL POLICY FRAMEWORK AND THE IMPACT ON MUNICIPAL INVOLVEMENT IN AFFORDABLE HOUSING**

Devolution of social housing is just one area where changing Provincial policy is placing greater responsibility for affordable housing into municipal hands. A number of other changes are also contributing to these increasing responsibilities.

#### **A) Provincial Policy Statement on Land Use Planning for Housing**

This landmark policy statement was developed in the late 1980s by the Province of Ontario. One of several policy statements on issues of significant Provincial interest, the *Provincial Policy Statement on Land Use Planning for Housing* enabled the Provincial Government to play a strong role in the provision of affordable housing by requiring municipalities to adopt policies and measures aimed at identifying and meeting local affordable housing needs.

One of the major provisions of the *Policy Statement* was that municipalities were required to ensure that at least 25 percent of all new housing being developed in the area was affordable to at least 60 percent of the local population. This could be achieved through numerous mechanisms, ranging from direct provision of social housing to land use policies requiring private producers to meet specific pricing levels in ownership and rental housing. Another key element of the *Policy Statement* was encouraging intensification, such as accessory apartments, mainstreet housing, mixed use development and conversion of non-residential properties and sites to residential use.

In 1995, the *Policy Statement* was replaced by the *Comprehensive Set of Policy Statements* (CSPS) and then by the *Provincial Policy Statement, 1996* (PPS). The section of the PPS dealing with housing states:

*Provision will be made in all planning jurisdictions for a full range of housing types and densities to meet projected demographic and market requirements of current and future residents of housing market areas by:*

- *maintaining at all times at least a 10-year supply of land designated and available for new residential development and residential intensification;*
- *maintaining at all times, where new development is to occur, at least a 3-year supply of residential units with servicing capacity in draft approved or registered plans;*
- *encouraging house forms and densities designed to be affordable to moderate and lower income households;*

- *encouraging all forms of residential intensification in parts of built-up areas that have sufficient existing or planned infrastructure to create a potential supply of new housing units available from residential intensification; and*
- *establishing cost-effective development standards for new residential development and redevelopment to reduce the cost of housing.*

This revised *Policy Statement* gives municipalities much greater flexibility in developing approaches to meeting local affordable housing needs than the former *Provincial Policy Statement on Land Use Planning for Housing*. In turn, these changes place far greater responsibility at the municipal level for developing and implementing such approaches.

## **B) Bill 120**

*Bill 120* was introduced by the previous Provincial Government to help support and encourage intensification. One of the major objectives of the Bill was to encourage the provision of affordable housing through accessory apartments and other such forms of intensified residential development.

One of the most important provisions of *Bill 120* was to permit accessory apartments as-of-right in residential zones in communities across Ontario. This would ensure that a major barrier to the legal provision of this form of affordable housing was removed.

In 1995, the Ontario Government rescinded *Bill 120*. Instead, individual municipalities were allowed to make their own decisions regarding as-of-right zoning for accessory apartments. Some municipalities, such as the Cities of Kitchener and Toronto, have proceeded to do so, and have had their by-laws upheld at the Ontario Municipal Board (OMB). Here again, the onus has been placed directly on municipalities to determine whether this approach should form a part of local municipal affordable housing policies.

## **C) Tenant Protection Act**

This *Act* was passed by the Provincial Conservative Government and replaces the former *Landlord and Tenant Act* and *Rental Housing Protection Act*. In an effort to encourage greater private rental development, the *Act* contains several provisions essentially loosening former rent control legislation to make it more attractive for private landlords and developers to build and operate rental housing. In the face of reduced Provincial control over rent levels and preservation of rental housing stock, municipalities are now faced with developing strategies for ensuring that rent levels remain affordable to those in need and that the existing rental housing stock is not significantly reduced through demolition or conversion.

## **D) Planning Act**

Recent changes to Ontario's *Planning Act* have placed greater responsibility for the planning approval process in the hands of municipalities. The process of Municipal Plan Review enables delegated municipalities to make final decisions on most planning matters (subject, of course, to OMB appeals), providing they have regard to matters of Provincial interest, including "the adequate provision of a full range of housing." This includes delegation of official plan approval to many upper tier municipalities, specifically those whose Regional or County plans have been approved by the Minister.

In this regard, municipalities have greater flexibility about both the planning process and policies and provisions contained in official plans, zoning by-laws and site plan agreements. This greater flexibility can be used to help support efforts to provide affordable housing to meet local needs.

## **E) Development Charges Act**

The Government of Ontario amended the *Development Charges Act* in 1997. This *Act* allows municipalities to add a charge onto new developments to pay for roads, schools and services that are needed by new homeowners. One of the main goals of the amendments was to reduce the impact of such charges on growth-related capital costs and, ultimately, on the affordability of housing. Key elements of the new legislation included:

- reducing the scope of services for which municipalities could impose development charges by eliminating services which are not required in order for growth to occur and which benefit the entire community (e.g. museums, art galleries, cultural facilities, hospitals, parkland acquisition);
- requiring municipalities to reduce the amount recoverable from growth by 10 percent for services like transit, arenas, libraries and parkland improvements;
- measures that require municipalities to ensure that the development charge accounts for any excess infrastructure capacity, reflects the 10-year average service level and is applicable only to that portion which will benefit new growth; and
- more flexible and permissive authority for developers and municipalities to enter into front-end financing arrangements.

## **F) Municipal Restructuring**

The Government of Ontario has actively pursued municipal restructuring in many areas throughout Ontario, including amalgamation of some smaller municipalities into larger

municipalities and other related actions. One of the implications of the creation of larger municipalities is that it does give some jurisdictions, such as the amalgamated City of Toronto and more recently, the creation of the amalgamated City of Hamilton and amalgamated City of Ottawa, increased capability to put into effect initiatives aimed at meeting affordable housing needs across large urban communities.

## **G) Ontario Building Code**

The Provincial Government, through the Ontario Ministry of Municipal Affairs and Housing, administers the *Ontario Building Code*, which sets into place standards of health and safety in residential development and other forms of construction. The Province has recently passed a number of amendments to the Code, including new sections aimed at helping to facilitate accessory apartments. These changes give municipalities greater scope to support the creation of such units, which can form an important component of the municipality's affordable housing strategy.

In summary, the above and other such changes in Provincial policy have given Ontario's municipalities both greater responsibility and greater flexibility to develop comprehensive approaches to meet affordable housing needs. In order to develop effective affordable housing strategies within the context of this Provincial policy framework, municipalities need to understand the tools available to them and how to utilize these tools in an integrated and comprehensive manner. This is discussed in the following section.

## **4. TOOLS AVAILABLE TO MUNICIPALITIES**

Municipalities in Ontario possess a host of responsibilities, powers, mechanisms, resources and capabilities that can enable them to play a particularly significant role in identifying and meeting affordable housing needs. These represent the “tools” which municipalities can combine into cohesive, comprehensive affordable housing strategies. These tools may also help municipalities to leverage resources of senior governments and the private sector to help create new affordable housing.

In preparing comprehensive affordable housing strategies, municipalities must develop an understanding of the capability of each tool to contribute to meeting affordable housing needs, identify potential approaches and initiatives, consider how these can be integrated within a comprehensive framework, and set in place appropriate policies and strategies.

These tools can be grouped into nine fundamental categories. Below is an outline of the nine categories of tools with which municipalities can formulate comprehensive and well-integrated affordable housing strategies. Following this section is the legislative framework under which these tools can be utilized by municipalities. Also provided are examples of current municipal practices whereby such tools have been utilized by various municipalities across Ontario and elsewhere.

### **A) Research-Oriented Approaches**

All levels of government have been involved in affordable housing research over the years. Most municipalities in Ontario undertook extensive housing research in the mid-to-late 1980s and early 1990s using funding that was available from the Provincial Government to prepare municipal housing statements. These housing statements usually involved an examination of local need and demand, including a comprehensive survey of the need for assisted housing, as well as recommendations on how to meet the identified needs. Municipalities are required by legislation to regularly examine their housing needs and policies and usually do so as part of the official plan review process.

By undertaking regular research on affordable housing needs, policy issues, alternative solutions and strategy development, municipalities can identify changing housing needs on an ongoing basis and provide valuable information to providers of affordable housing, other levels of government and the community as a whole. Conducting such research on a regular basis enables municipalities to remain in the forefront of initiatives to meet affordable housing requirements.

### **B) Policy Approaches**

Municipalities have an important role to play in establishing policy that attempts to meet the affordable housing needs of their residents. In the early 1990s, *the Provincial Policy Statement on Land Use Planning for Housing*, in particular, led to a host of municipalities developing a range of policies aimed at meeting both affordable housing needs and

overall housing requirements. Two important components of these policies adopted by many municipalities were formulation and implementation of various intensification and “housing first” policies (e.g. surplus municipal lands would be considered for affordable housing before being put to any other use).

While the *Provincial Policy Statement* no longer requires such approaches, some municipalities have retained many of these policies and have the opportunity to adopt further such strategies. The devolution of social housing to municipalities, in particular, provides the impetus to integrate these new responsibilities into a comprehensive policy framework for affordable housing.

### **C) Regulatory Approaches**

There are a range of regulatory approaches available to municipalities to help meet the affordable housing needs of their community. Official plans, zoning by-laws, site plan agreements, fire and building codes and licensing provisions are a number of such regulatory mechanisms at the municipality’s disposal. Some municipalities have used such regulatory powers, for example, to reach agreements and trade-offs with developers to ensure some forms of affordable housing are provided in return for various planning concessions.

Accordingly, these regulatory powers and responsibilities can be applied strategically as part of a comprehensive approach to meeting affordable housing needs.

### **D) Financial Approaches**

Financial incentives may be provided by municipalities to help stimulate the creation of affordable housing. For example, waiving development charges under certain conditions, selling or leasing surplus municipal lands for nominal amounts, start-up grants, low-interest loans and revolving funds. These are used to offer financial assistance to providers of affordable housing and are examples of financial approaches utilized by some municipalities. Some municipalities have sought and received Provincial approval to create new classes for property tax purposes that reduce annual property taxes on such types of affordable housing as rental apartments. Some municipalities have exempted certain affordable housing projects entirely from property tax.

Accordingly, financial tools can become significant components of a comprehensive municipal housing strategy. The capability of municipalities to utilize this tool differs depending on size, financial resources, and local economic conditions.



## **E) Administrative Approaches**

In the near future, upper tier municipalities and districts will be assuming the role of administrators of social housing within their community. A number of municipalities are currently administering other programs offered by senior levels of government. For example, in the City of Toronto, Canada Mortgage and Housing Corporation's Rental Rehabilitation Assistance Program is directly administered by City staff. Municipalities can take advantage of this role to help achieve strategic objectives with respect to meeting affordable housing needs.

## **F) Advocacy Approaches**

Municipalities have often taken a lead role in advocating for change in affordable housing policies and programs from all levels of government, and represent a major voice whose efforts in this regard have often brought positive change to various issues. The Federation of Canadian Municipalities (FCM), for example, recently prepared a comprehensive paper advocating strong action by senior levels of government to address current affordable housing needs.

Municipal associations such as FCM and the Association of Municipalities of Ontario (AMO) provide a particularly appropriate vehicle for municipalities to meet on a regular basis, share information and develop positions. At the same time, municipalities can (and often do) interact with key professional associations (such as OPPI) and housing advocacy groups to help develop positions on such issues and advocate on their behalf.

Putting into place mechanisms to ensure this key advocacy role is carried out on an ongoing basis is an important component of a municipality's comprehensive housing strategy.

## **G) Direct Provision**

Since the early days of the twentieth century, many municipalities have taken a direct role in providing affordable housing in their communities by establishing and operating such facilities as municipal non-profit housing corporations, homes for the aged and shelters for the homeless. Recent reductions in Federal and Provincial funding programs for social housing have dramatically reduced such opportunities. Nevertheless, opportunities do arise from time to time and changing policies and programs do sometimes offer new initiatives to consider.

Dozens of municipalities across Ontario have previously established non-profit housing corporations and other such vehicles to undertake direct provision of affordable housing. Devolution of social housing will require that Local Housing Corporations be established by municipalities (CMSMs and DSSAB's) in every corner of Ontario to own

and operate local public housing stock. Thus, the structure will be in place across Ontario to enable municipalities in all areas to undertake direct provision of affordable housing when appropriate opportunities arise.

## **H) Education**

An important element in successfully integrating affordable housing within the community is educating the public about current and future local housing needs, the social and economic benefits of meeting these needs, and the importance of achieving community acceptance of various forms of affordable housing. Municipalities can play a critical role in providing and facilitating public education in order to develop the community support critical to the success of affordable housing policies and initiatives.

## **I) Facilitating Community Partnerships**

Municipalities have also undertaken a leadership role in facilitating community partnerships to meet affordable housing needs. Examples include encouraging public-private partnerships to develop affordable housing, co-ordinating housing registries, establishing and operating co-ordinated access systems, and other avenues to help tenants find affordable housing in the community.

## **5. LEGISLATIVE FRAMEWORK**

A legislative framework exists in Ontario through which municipalities possess the ability to utilize and apply these tools. The major pieces of legislation that enable municipalities to have a significant role in the provision of affordable housing in their community are described below. Several of these were discussed briefly in Section 3.0 under Changing Provincial Policy Framework.

### **A) Municipal Act**

The *Municipal Act* is the fundamental legislation governing the structure, responsibilities and powers of municipalities in Ontario. The *Act* covers such items as formation of municipalities, composition of municipal councils, voting rights and procedures, municipal finance, powers to pass by-laws, municipal taxes, acquisition of land for public purposes, and so on.

The *Municipal Act* provides the legislative authority for municipalities in a number of areas relevant to meeting affordable housing needs. For example, it enables municipalities to form corporations for the direct provision of affordable housing, to pass by-laws on a variety of related matters, and establish various classes of property that can have an impact on residential property taxes. Municipalities can utilize this legislative authority to undertake various initiatives aimed at the provision of affordable housing. At the same time, the *Municipal Act* can place barriers in the path of some initiatives, such as prohibiting various types of potential incentives. Planners must carefully review the *Municipal Act* and develop a clear understanding of its impact on potential affordable housing strategies and initiatives.

### **B) Planning Act**

The *Planning Act* gives municipalities a variety of responsibilities and powers with respect to land use and development. Under the Planning Act, municipalities can prepare official plans and zoning by-laws containing various policies, provisions and land use designations supporting the provision of affordable housing. Municipalities can enter into site plan agreements which help generate affordable housing, and streamline the approval process to help reduce the cost of residential development. Municipalities can also adopt alternate development standards aimed at reducing development costs and adopt innovative land use policies such as various forms of bonusing in return for the provision of various forms of affordable housing. As noted earlier, recent Provincial changes to the *Planning Act* have given municipalities greater responsibility and flexibility in the planning process, thereby creating greater opportunity for innovation to help support the provision of affordable housing.

### **C) Development Charges Act**

This is the *Act* that enables municipalities to levy charges to recover the growth-related costs for eligible services. Municipalities are responsible for deciding whether or not to impose development charges, what services these should apply to, what should be the amount of the charges and what exemptions, if any, should be given to stimulate local economic development activity. Under this legislation, municipalities can decide whether to use this authority in a strategic fashion to support affordable housing by allowing exemptions or reduced rates for various forms of affordable residential development. This can extend not only to development charges, but also to permit fees, application fees and other such costs.

### **E) The Assessment Act**

This is the legislation that enables municipalities to set variable class tax rates for different classes of property. Municipalities can use this authority to classify various forms of affordable housing within classes of property that yield favourable tax rates, thereby supporting the provision and sustainability of affordable housing. Additionally, municipalities can decide whether to exempt certain forms of affordable housing from property tax entirely.

### **F) Services Improvement Act/Social Assistance Reform Act**

These Provincial Acts were set in place by the Conservative Government to create the opportunity to implement a more integrated and effective system of social service delivery, including social housing. Corresponding basically with existing upper tier municipalities, a total of 47 Consolidated Municipal Service Managers (CMSMs) and District Social Services Administration Boards (DSSABs) have been established across Ontario for this purpose. These are the vehicles being used to take on the administration of social housing under the devolution process currently underway. The designation of these CMSMs and DSSABs creates a clear focus of responsibility and opportunity for municipal initiatives to address local affordable housing needs.

### **G) Social Housing Reform Act, 2000**

The Social Housing Reform Act, 2000 is the legislation that became law on December, 14, 2000, to enable the transfer of administrative responsibility for social housing to the municipal level (CMSMs and DSSABs). The legislation requires that the CMSMs/DSSABs take over administrative responsibility for social housing within their defined geographical area and to take ownership and management of the OHC public housing stock.

The legislation will require CMSMs/DSSABs to prepare Local Transfer Plans within 5 months of Royal Assent outlining their approach to carrying out their new responsibilities. Within a broad provincial framework, CMSMs/DSSABs will have the

ability to govern, structure and administer the programs in the way that is best suited to local needs. The legislation and its regulations also encompass changes to social housing recommended by the Social Housing Committee as part of the Social Housing Reform process.

This legislation thrusts municipalities into the forefront of owning, operating and/or administering the bulk of existing social housing in Ontario and provide the impetus for municipalities to consider the range of policies, strategies and processes that could be adopted and carried out on an ongoing basis to help meet local affordable housing needs.

## **H) The Business Corporations Act**

This is the legislation under which municipalities can establish and operate non-profit housing corporations. The Minister of Municipal Affairs and Housing recently announced that ownership of all public housing in Ontario would be transferred to municipalities (CMSMs and DSSABs) through the creation of Local Housing Corporations established under this *Act*.

## **I) Ontario Building Code**

This Provincial legislation sets out minimum standards for residential building in Ontario. While municipalities can establish additional provisions and standards to help ensure the quality of new residential construction in the community, municipalities can also ensure that standards and codes do not become so costly and onerous as to severely penalize providers of affordable housing.

## **J) The National Housing Act**

While not strictly governing the capability of municipalities to address local affordable housing needs, the *National Housing Act* is the Federal legislation through which much of the existing affordable housing has been built and financed in Ontario and the rest of Canada. Introduced in the Depression Era of the 1930s largely as a measure to help generate employment through encouraging and promoting housing development, the *National Housing Act* provides the legislative authority under which most social housing has been funded and operated in Canada.

The *National Housing Act* gives the Federal Government authority (usually through its Crown Corporation, Canada Mortgage and Housing Corporation (CMHC)) to establish, fund and operate a variety of social housing programs and other measures to help meet the housing needs of Canadians. Various sections of the *Act* have been used to enable the development and operation of public housing, co-operative housing, municipal and private non-profit housing, rent supplements and other forms of subsidized accommodation. Many of these programs have involved entering into agreements with Provincial Governments to share costs and administrative functions involved in program

delivery. The Federal-Provincial Social Housing Agreement in 1999, enabled the Province of Ontario to pass on most of these responsibilities to municipalities.

## **6. CURRENT PRACTICES USED BY MUNICIPALITIES TO HELP MEET AFFORDABLE HOUSING NEEDS IN THEIR COMMUNITY**

As noted earlier, a wide range of tools organized under nine fundamental categories are available to municipalities to help identify and meet affordable housing needs. The legislative authority to apply these tools flows primarily from the various Acts and Codes noted in Section 5.0. Mutually supportive policies, approaches and initiatives under each category can be carefully integrated to create effective comprehensive municipal affordable housing strategies.

In order to help inform OPPI members and Ontario municipalities about potential ideas to consider in each category, OPPI members were surveyed, submissions were invited through the 'Housing Again' website, and a background literature review and internet search were undertaken. Through these activities, current practices have been identified that are used by many municipalities in Ontario, elsewhere in Canada and the United States to help meet affordable housing needs in their community.

The following are examples of these practices, arranged by the approaches identified in Section 4.0 of this paper. The list of examples and municipalities using these practices is not meant to be completely exhaustive --- it is intended to provide an overview of the types of practices currently being used to guide the development of a municipal strategy for meeting Ontario's affordable housing needs. It is up to each municipality, of course, to consider and develop those practices best suited to local needs and conditions.

### **A) Research-Oriented Approaches**

A number of municipalities in Ontario have conducted research into the various ways to meet the community's affordable housing needs. The following are examples of a number of different research-oriented approaches utilized by municipalities.

#### **1. Special Purpose Task Force/Body**

The establishment of a special purpose task force or body is a practice that many municipalities favour in tackling complex issues, such as homelessness or meeting affordable housing needs in the community. Perhaps one of the most comprehensive reports prepared by a housing task force is by the City of Toronto Mayor's Homelessness Action Task Force chaired by Dr. Anne Golden. Other municipalities, such as the Region of Peel, Region of York, Region of Ottawa-Carleton, City of London, and City of Calgary have also recently established task forces or special purpose bodies to prepare detailed reports on the state of housing in their community. Topics of interest to

municipalities include homelessness, social housing devolution, special needs housing and affordable housing.

These task forces usually oversee a range of research undertaken by staff or consultants on specified housing issues. The task force findings are delivered to a Committee of Council, which then passes along their recommendations to Council. Results can encompass both local solutions, as well as, recommendations for other levels of government, the private sector, and outside agencies/organizations.

## **2. Housing Forums**

A number of municipalities have organized housing forums or summits as a way to obtain an accurate, local perspective on housing issues. These forums are sometimes standalone events or could form part of the work carried out by a task force or other special purpose body. For example, the Region of Waterloo held a forum to look for solutions to homelessness. The forum was used as a steppingstone to developing a strategy for spending the Government of Ontario's Homeless Initiative Fund and other funding incentives from senior levels of government.

In January 2000, the City of Ottawa hosted a Downtown Revitalization Summit. The purpose of the summit was to revisit some of the incentives available to promote residential development in downtown Ottawa. Initiatives such as housing along major roads or over storefronts and utilizing RRAP funding for conversions were explored in the context of revitalizing the downtown. Other forums hosted by municipalities include the City of London's Affordable Housing Task Force Public/Private Sector Forum on Affordable Housing (February 2000) and the City of Toronto Stakeholder's Forum on Affordable Housing (1997).

## **3. Design Charettes/Ideas Competition**

Design charettes or 'ideas' competitions are another approach that municipalities have utilized to research ideas for meeting affordable housing needs in their community. Usually representatives from various disciplines are invited to participate in design charettes --- architects, planners, developers, non-profit/co-operative representatives, and so on. The purpose of a design charrette is to generate a wide range of ideas that may be used by a community and private developers to build affordable housing. The Region of Ottawa-Carleton, for example, co-ordinated an affordable housing charrette in the early 1990s.

The City of Toronto's *Let's Build* initiative invited interested individuals to submit 'ideas' for the creation of affordable housing. The intent of this competition is to choose one or more 'ideas' to undertake as a pilot project. Lessons learned from the pilot project can then be communicated to those interested in increasing the supply of affordable housing in the City in the hope that others will take this on.

#### **4. Housing Statements and Studies**

In the mid-1980s to early 1990s, the Ontario Ministry of Housing funded the preparation of Municipal Housing Statements. During that period, many lower and upper tier municipalities utilized this funding to assess the demand and supply for various types of housing in their area (e.g. built form, price range, and tenure). These statements usually led to recommendations for amendments to the official plan that would help to meet the demand for additional housing in the community. Many of the recommended official plan amendments dealt with land use techniques to promote the creation of affordable housing --- accessory dwellings, infill, granny flats, and zero lot line development are examples of changes to official plans that resulted from the research conducted by municipalities.

In the last year or so, a number of municipalities in Ontario have once again decided to examine the state of housing in their community, particularly in view of the fact that in many municipalities comprehensive studies of this nature have not been undertaken for at least a decade. Although there is no direct senior government funding for this type of research, the municipalities' new role vis-à-vis social housing and the increasing number of homeless people in urban centres have prompted some municipalities to undertake and fund extensive research on the state of housing in their community. For example, the Region of York recently tabled a draft report on the state of housing in the region with recommendations on how to improve the current situation, and the Region of Halton recently commenced preparation of a Regional Housing Policy Statement Update, as their previous Policy Statement was developed ten years ago and many housing needs and conditions have changed.

The Region of Waterloo is also in the process of preparing a Housing Statement Update that will: investigate the full range and continuum of housing types in the area; determine community housing supply, needs and demand; and identify and research housing related issues such as student housing, homelessness, and supportive housing. The Region of Waterloo, similar to other municipalities, has also indirectly added to research in housing by contributing staff and/or financial assistance to community agencies that are studying issues related to affordable housing.

While no direct funding is currently available for preparation of Municipal Housing Statements, there are funding sources which may be pursued to help cover such costs. For example, the Affordable Choices Today (ACT) Program administered by Canada Mortgage and Housing Corporation (CMHC) and Canadian Housing Renewal Association (CHRA) can provide some funding to help research specific housing issues. CMHC, Human Resources Development Canada and various provincial ministries may from time-to-time assist in funding housing-related research, particularly when it can help contribute to the development of policy on a wider basis. Municipal staff need to



continually monitor programs offered by such agencies as CMHC and others to help provide the funding support for such research initiatives.

## **5. Information and Monitoring**

Most municipalities maintain and disseminate a wide range of housing data that contributes significantly to the community's understanding of housing issues and needs. Statistics on building permit activity and supply of undeveloped residential land are examples of information collected by municipalities. Many municipalities subscribe to a variety of housing data sources such as Statistics Canada and various CMHC publications and regularly analyze and report on relevant information. Some municipalities have prepared regular publications monitoring housing conditions and reporting on specific housing issues (e.g. the City of Toronto former Research Bulletin series, which was produced regularly by the Planning Department for many years). At the same time, many municipalities maintain a function whereby they respond to public research requests for housing-related information (often for a fee, depending on the nature of the request).

By maintaining such regular research activities, the municipality can play a leadership role in monitoring needs, understanding conditions and alerting Council and the community about changing affordable housing needs. Regular research can also help keep staff and Council informed of new ideas being developed to address various housing issues. Accordingly, municipalities need to develop a regular program of housing research as part of their comprehensive affordable housing strategy.

## **B) Policy Approaches**

### **1. Official Plan**

A municipality's official plan sets out the broad outlines of the community's plans and goals governing land use. Most official plans include a housing section that addresses the issue of housing affordability by reviewing existing and projected housing needs and developing plans to accommodate those needs with a variety of housing types and densities. Most official plans also contain general policy statements on housing that set the stage for what is contained in the official plan. The Official Plan sets out the basic vision and approach of the municipality toward meeting affordable housing needs and, as such, is one of the key starting points in developing a comprehensive affordable housing strategy.

The City of Toronto has recently published a report for consultative purposes to set out directions for the new official plan (*Toronto at the Crossroads: Shaping Our Future*). In that report, there is an entire section devoted to housing, including a list of guiding principles on Toronto's approach to housing.

## **2. Municipal Housing Policies**

Some municipalities have gone beyond the official plan to establish housing policy that provides approaches for the municipality to directly or indirectly produce affordable housing. A “housing first” policy for surplus municipally-owned property is an example of such policy, and, as seen earlier in this paper, has actually been utilized by municipalities as an affordable housing tool since the early days of the twentieth century.

The City of Toronto adopted a housing first policy in May 1999, to guide the use of surplus City-owned land. The principle of the housing first policy is that the first priority in the decision-making process respecting surplus or potentially surplus City-owned real property should be affordable housing development. One of the targets of the City of Toronto’s housing first policy is to lever the development of a minimum of 900 affordable housing units on City-owned sites in the 1999 to 2001 three-year period.<sup>1</sup> Similarly, the recent Region of York’s Report on Housing Needs also proposes a housing first policy for regional and municipally-owned land.

Some municipalities have adopted a less formal housing policy approach. For example, although the Region of Peel does not have a housing first policy (because there is little surplus land available), staff have spent considerable time and effort identifying and evaluating all municipally, provincially and federally owned sites within the municipality for intensification potential. Peel also plans to look at the potential for intensifying its municipally controlled non-profit housing properties (including the public housing stock).

## **3. Seattle Housing Levy**

This is a highly interesting example of an innovative and accountable local housing policy. The City of Seattle identified the need to increase the supply of affordable housing in the community, but found insufficient financial resources were available to achieve significant results. In order to address this shortfall, the City placed a policy question to voters on a referendum, asking whether residents were prepared to direct one percent of their annual property taxes towards a fund that would be used by the City to develop social housing for those in need. The voters approved the policy and the City has proceeded to establish this fund and use it for social housing development.

## **C) Regulatory Approaches**

There are a wide range of regulatory approaches or land use techniques that a municipality may employ to meet its affordable housing needs. In general, land use regulations interact with market forces to determine housing type and pricing. As-of-right second suites, density bonusing, inclusionary zoning, exaction programs, demolition

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<sup>1</sup> The objectives of the City of Toronto’s Housing First Policy, as well as more detailed information background and elements of the policy can be found on the City of Toronto’s web site at [www.city.toronto.on.ca/legdocs/1999/agendas/council/cc/cc990609/sp10rpt/c1007.htm](http://www.city.toronto.on.ca/legdocs/1999/agendas/council/cc/cc990609/sp10rpt/c1007.htm) .

control by-law, upzoning, performance zoning, zero lot line development, infill development, mobile homes, transfer of development rights, and mixed use development are examples of such land use techniques.

## **1. Second Suites/Accessory Dwelling Units**

Numerous municipalities throughout Ontario have passed by-laws to permit accessory dwellings, along with other forms of housing such as group homes, as a way to meet affordable housing needs. In most cases, the by-laws tend to restrict the location of accessory dwellings to specified areas. Municipalities have started to look at the important role that second suites or accessory dwellings can play in meeting the affordable housing needs of communities across Ontario.

For example, *The Report of the Mayor's Action Task Force on Homelessness* identified the legalization of second suites as an important part of the City of Toronto's overall strategy to increase affordable housing supply. In July 1999, City Council approved a new by-law which permits, as-of-right, second suites in all single and semi-detached houses across the City. The by-law was upheld by the OMB with some modifications.<sup>2</sup> As part of the second suite initiative, Council also approved funding for a promotional campaign and an education and support program for small landlords.

Other municipalities that have or are considering by-laws permitting accessory apartments include: the City of Nepean, City of Kitchener, City of Ottawa, and the Region of York.

## **2. Density Bonusing**

Density bonusing encourages developers of new and residential projects to provide for affordable housing and various public amenities on a voluntary basis in exchange for increased developable floor space. This initiative is usually associated with downtown and other intensively developed areas where additional revenue-generating space can be offered and also where increased building size will not impose on the surrounding environment or infrastructure.

Municipalities in the US use density bonusing either on a negotiated, ad hoc basis on individual sites or as-of-right according to some established and standard rules across broad classes of sites. Research of this initiative shows that negotiated bonusing has been very successful in providing affordable housing, whereas programmed bonusing has not proven to provide affordable housing to any notable extent.<sup>3</sup>

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<sup>2</sup> A copy of the report that went to Council on this issue can be found on the City's web site at [www.city.toronto.on.ca/legdocs/1999/agendas/council/cc/cc990727/plt3rpt/c1001.htm](http://www.city.toronto.on.ca/legdocs/1999/agendas/council/cc/cc990727/plt3rpt/c1001.htm).

<sup>3</sup> Drdla, Richard & Associates Inc. *Municipal Regulatory Initiatives: Providing Affordable Housing*. Ottawa: CMHC 1999.

In Ontario, Section 37 of the *Planning Act* authorizes municipalities to provide for increases in height and/or density in exchange for “public benefits”, such as heritage preservation, day care facilities, and affordable housing. It is a valuable mechanism for municipalities as it is the only planning tool to ensure that certain public benefits are provided at the development stage.

The City of Toronto is an example of a municipality working with this tool. Between October 1999, and May 2000, at the direction of Toronto City Council, staff met with representatives of the development industry to develop a framework containing guidelines for the continued use of Section 37. The Implementation Framework is intended to work with the existing Official Plan policies (site specific and Part I). In August 2000, Toronto City Council adopted the city-wide Implementation Framework to ensure consistency and clarity in the use of the tool. The Framework provides for 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.<sup>4</sup>

### **3. Inclusionary Zoning**

Inclusionary zoning is the most prevalent of the regulatory initiatives used by US municipalities to stimulate the creation of affordable housing. 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 widely by municipality.

Inclusionary zoning can be either mandatory or incentive-based. In mandatory programs, developers are required to contribute a certain proportion of affordable housing as a condition of development approval. In exchange, the municipality usually gives cost offsets, such as density bonuses, fee waivers, fast-tracked approvals and/or reduced development standards. In incentive-based programs, the developers are offered density bonuses and other incentives as inducements to contribute affordable housing on a voluntary basis. However, research shows 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.<sup>5</sup>

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<sup>4</sup> Ross Paterson, Principal Planner, City of Toronto.

<sup>5</sup> Ibid.

The reported advantages of inclusionary zoning are that it:

- provides good homes for low-income families without endless government subsidies;
- promotes integration among income groups;
- reduces concentration of poverty that intensifies the difficulties of poor families; and
- has been accepted by the development industry in the U.S., since all developers are treated the same.<sup>6</sup>

The only Canadian province with a 'fair share housing' or inclusionary zoning policy at this time is British Columbia. BC recently passed legislation requiring that community plans include 25 percent affordable housing. The definition of affordable housing has not been established and most municipalities in the province have done little to deal with this new legislation.

Although not inclusionary zoning in the strictest sense of the term, the Ontario Government's *Land Use Policy Statement* of the late 1980s required that new residential development include 25 percent affordable housing. The Provincial Conservative Government has since rescinded that policy but there are still some municipalities in Ontario that have inclusionary zoning policies. For example, the Region of Waterloo's Official Plan contains a policy to promote affordable housing through a requirement that 30 percent of new residential development be smaller-lot single detached units, semi-detached, multiplexes, townhouses, or apartments. In the Cities of Kitchener and Waterloo, policies are still in place requiring that a minimum 25 percent of all new units be "affordable".

As a word of caution, a report prepared for the City of Toronto in 1991, by Malone Given Parsons pointed out that there are a range of operational challenges and hidden costs for municipalities which might limit the effectiveness of inclusionary zoning in Ontario.

#### **4. Exaction Programs or Office/Housing Linkages**

Exaction programs require, as a condition of development approval, the contribution of fees toward the provision of affordable housing in return for approval of certain types of developments, mainly commercial. No cost offsets, such as density bonuses, are given by the municipality in exchange. These fees are typically paid into trust funds dedicated to affordable housing, and used in combination with grants and loans from federal, state and other sources to provide not-for-profit rental housing.

The best known of these exaction programs are linkage fees (sometimes referred to as office/housing linkages). These fees are seen as mitigation measures to offset the adverse impact of new major commercial and other job-generating developments on local

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<sup>6</sup> Reference for the techniques in this section is *Affordable Housing Techniques: A Primer for Local Government Officials* by the Municipal Research & Services Centre of Washington, 1992.

housing conditions. Linkage fees are intended to recover part of the cost to the municipality in providing the needed additional affordable housing that these developments directly or indirectly create because of the increase in households with low-paying jobs. There are also a variety of other similar fees, such as development fees, development levies, excise taxes and voluntary contributions.<sup>7</sup>

A number of municipalities in Western Canada have experience with linkage programs; namely, Richmond, Whistler and Banff.

## **5. Demolition Control Bylaw**

Another regulatory approach used by municipalities in meeting affordable housing needs is the adoption of demolition control by-laws. The primary goal of such a by-law is to prevent the loss of affordable rental housing due to demolition or conversion. With the repeal of the *Rental Housing Protection Act* in 1998, Ontario municipalities' ability to protect the existing supply of rental housing from demolition was substantially diminished. Currently, unless *Planning Act* approvals are required due to redevelopment, municipalities have virtually no ability to prevent demolitions as the only approval required is for a demolition permit under the *Building Code Act*, the *Planning Act* or the *Ontario Heritage Act*. For this reason, some municipalities have adopted policies that attempt to retain rental housing in their communities.

The City of Cambridge Official Plan contains condominium conversion and demolition policies that restrict conversions/demolitions if it is found that there is "a significant adverse impact on the supply of housing for rent ... particularly affordable housing for rent." The Cities of Kitchener and Waterloo regulate demolitions through Section 33 of the *Planning Act* requiring the designation of demolition control areas and the permission of Council. The City of Waterloo also has a condominium conversion policy that discourages the conversion of rental residential properties to condominium or co-operative tenure.

The City of Toronto adopted Official Plan Amendment 2 (OPA2) in March 1999. OPA2 outlined the City of Toronto's policy approach within the context of existing legislation and official plans for addressing the potential loss of rental housing – and affordable rental housing in particular – from conversion and demolition on a city-wide basis. Under OPA2, where an applicant seeks additional height and/or density or any other approval under the *Planning Act*, and has proposed demolition of rental housing, OPA2 set out the city-wide policy within which the application is to be considered. OPA2 made a clear statement that Toronto City Council wished to seek replacement of demolished rental units with a similar number of new rental units, of a similar type and level of affordability, in order to mitigate the loss of rental housing.

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<sup>7</sup> Drdla, Richard & Associates Inc. *Municipal Regulatory Initiatives: Providing Affordable Housing*. Ottawa: CMHC 1999.

In Fall 2000, the OMB struck down OPA2 as being “illegal and invalid”. In June 2000, the Superior Court of Justice issued a decision granting the cities of Toronto and Hamilton leave to appeal the OMB decision. It should be noted that even if OPA2 is ultimately upheld by Divisional Court and subsequently the OMB, it does not provide Toronto City Council with the power to prohibit as-of-right demolitions. Where the applicant is not seeking planning approvals (e.g. the proposed development is “as-of-right”), OPA2 does not apply.

In October 2000, Toronto City Council proposed special legislation for prevention of rental housing loss in Toronto due to demolition or renovation. The proposed special legislation would establish a process by which Toronto City Council may approve or reject an application for rental demolition or renovation of a rental residential complex which proposes a reduction in rental units in any residential complex with 6 or more units. The proposed *Act* sets out reasons why approval may be given, and enables Toronto Council to attach conditions to the approval, such as requiring that rental units be replaced.

## **6. Infill Development**

Infill development is a form of intensification that refers to development that takes place on land within built-up urban areas that has remained vacant or under-utilized. Infill sites are usually already served by utilities and other services that can reduce a developers' up-front costs, and, in turn, may help in reducing the costs of completed housing units. There are a number of ways that municipalities can encourage infill development, including:

- preparing an inventory of potential infill sites and making it available to developers;
- adopting flexible zoning and building regulations to allow development of irregular or substandard infill lots;
- allowing mixed uses for infill developments which may enhance economic feasibility of projects; and
- allowing sufficient density to induce housing development.<sup>8</sup>

## **7. Alternate Development Standards**

Alternate Development Standards are flexible planning and engineering standards that provide a range of alternatives to the current standards used for the design and construction of communities. Alternative development standards encourage affordable housing by allowing the developer to build various components of a housing project to a

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<sup>8</sup> Reference for the techniques in this section is *Affordable Housing Techniques: A Primer for Local Government Officials* by the Municipal Research & Services Centre of Washington, 1992.

lower standard than conventional. The standards which may be altered to encourage affordable housing development include: reduced setbacks, narrower lot sizes, reduced road allowance and on-street parking. An example of the use of alternative development standards in Ontario is the Cornell development in Markham.<sup>9</sup>

The Region of Ottawa-Carleton has also adopted guidelines for alternative development standards. The Region has undertaken a pilot project in the former City of Gloucester to test and monitor the performance of the alternative standards against the project's objectives of reducing development costs, offering affordable and marketable housing and providing safe, effective and cost efficient servicing. The pilot project is a partnership between Gloucester and a local developer, Minto Developments Inc.

## **8. Performance Based Planning**

Performance based planning is a type of flexible zoning which determines land use locations and characteristics through the application of a system of performance criteria. The performance criteria establish the basic development standards and limitations, and specify the conditions under which developments will occur. A typical list of performance criteria may include: compliance with density standards, neighbourhood compatibility, traffic generation, proximity to existing infrastructure, parking, proportion of open space and protection of natural features.

Municipalities using performance based planning (also referred to as impact planning) regulate the land use not based on proposed use, location, and dimensions of the development but on the basis of the actual impacts measured against predetermined standards or performance criteria. Performance zoning provides developers with maximum flexibility that in turn encourages them to build a broader range of housing types, including affordable units.

Performance based planning has been utilized in Australia and in some parts of the United States.<sup>10</sup>

## **9. Other Land Use Techniques**

There are a number of other land use techniques that municipalities have traditionally used to promote housing affordability.<sup>11</sup> These techniques include:

- *Upzoning or Higher Density* - one of the most basic techniques for reducing the cost of housing. Upzoning involves the selective rezoning of residential land to allow greater density. It usually requires greater attention to design to ensure compatibility of the surrounding area;

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<sup>9</sup> Tomalty Ray, et al. *Municipal Planning for Affordable Housing*, 1999.

<sup>10</sup> Ibid.

<sup>11</sup> Reference for the techniques in this section is *Affordable Housing Techniques: A Primer for Local Government Officials* by the Municipal Research & Services Centre of Washington, 1992.



- *Zero Lot Line Development* – is a technique used in small lot housing developments to preserve some of the privacy and yard usefulness that is characteristic of a single-family dwelling. It results in lower land costs while maintaining the privacy and appearance of traditional single-family detached housing. Municipalities can adopt by-laws permitting zero lot line development in designated areas. The City of Kitchener is one municipality that has specifically set out such legislation;
- *Mobile Homes* – have significantly lower production costs than conventional built housing. For this reason, mobile homes can be a significant source of affordable housing. Zero lot lines and clustering are space saving techniques that will further reduce the cost of mobile homes. Lack of public acceptance has been one of the biggest barriers to designating or approving sites for mobile homes. One way that municipalities may make mobile homes more acceptable in their communities is by establishing a design review process to ensure that mobile homes are compatible with the neighbourhoods in which these are located;
- *Transfer of Development Rights* – have been used by municipalities as a means of generating funds for the preservation and/or rehabilitation of low and moderate income housing in downtown areas. Transfer of development rights programs are based on the idea that ownership of real property is comprised of a ‘bundle of rights’ including, a property’s development rights which can be separated, sold and transferred to another piece of property. This concept of selling ‘air rights’ was utilized by the City of Toronto in the late 1980s when many office towers were being constructed in the downtown core; and
- *Mixed Use Development (e.g. Housing along Major Roads)* – allows various land uses, including office, commercial and residential to be combined within a single development or district. For example, the City of Cambridge permits residential units in commercial developments. Another example of this technique is the concept of housing along major roads where apartment or condominium units are located above office or retail space. Mixed use projects can offer cost savings to developers in the form of shared parking, maintenance and security costs. In some cases, the commercial use can help subsidize affordable or low-cost housing. Mixed use development may also reduce traffic congestion and help revitalize distressed neighbourhoods. Density bonuses or other types of incentives may be useful to encourage developers to include residential development in mixed use areas.

## **10. Streamlining the Approval Process**

As noted earlier, amendments to the *Planning Act* give municipalities greater responsibility and flexibility for the local planning approval process. Municipalities can utilize this flexibility to adopt planning practices that help streamline the approval process, thereby reducing the cost of residential development. One example used in many municipalities is concurrent review and approval of official plan amendments, zoning by-laws and site plans. By coordinating all three fundamental elements in the

approval of residential development, rather than dealing sequentially with each, municipalities can save considerable time in the approval process. In order to help reduce housing costs, municipalities need to examine closely their approval process and determine areas where time savings can be achieved.

## **D) Financial Approaches**

Municipalities are starting to explore financial incentives, programs and other approaches to encourage additional affordable housing development. The financial approach may involve direct funding (e.g. capital grants) or indirect funding (e.g. exemption of development charges). The following are examples of a number of financial approaches used by Ontario municipalities.

### **1. Exemption of Development Charges and Other Fees**

Exempting not-for-profit or affordable housing development from development charges is one of the more popular financial approaches to meeting affordable housing needs. The Cities of Toronto, Nepean, and Ottawa and the Regions of Waterloo and Ottawa-Carleton all have adopted by-laws that exempt either not-for-profit or affordable housing development from paying development charges. The Region of York's recent report on Affordable Housing Need also recommends the exemption of development charges for not-for-profit development.

The City of Toronto has waived development charges, building permit fees, planning application fees, and parkland dedication requirements for non-profit housing. However, the City does not have the same flexibility to waive similar charges for rental housing as rental is included in the same residential class as ownership housing. The flexibility to waive fees and charges would be achieved by allowing municipalities to establish purpose-built rental as a separate class.

David Caplan, Liberal MPP, has recently introduced the *Affordable Housing Incentives Act*. The Bill would give municipalities the ability to work with private developers to develop affordable housing. The current *Municipal Act* specifically prohibits a municipal body from offering reductions in fees, lot levies and other development charges to any for-profit companies. If this Bill is passed, municipalities will be able to offer development charges exemptions to the private sector. Municipalities would be allowed the flexibility under this Bill to define the scope of projects and to decide the type of incentives it wishes to offer.

The Cities of Cambridge, Kitchener, Waterloo and Hamilton and the Region of Waterloo have recently adopted by-laws that waive development charges in downtown areas. This waiver applies to all development in the downtown area, including residential

development. This incentive, although aimed more at generating economic activity in downtown areas than at encouraging affordable housing, is one tool that may help stimulate the creation of new affordable housing in a community.

Peel Region does not have an official policy to waive or defer development charges of affordable housing units; however, in the past, Council has considered waiving development charges on a project-by-project basis. Peel Region staff intend to propose specific guidelines to Council, which has informally indicated its support for development charges relief, to develop a clearer policy in this regard.

Initially, the City of Ottawa waived its portion of the development charges for not only affordable housing, but all other forms of development in the downtown core. This initiative with respect to affordable housing has been extended throughout the City so that new affordable housing development (both rental and ownership) is exempt from the City's portion of the development charges. The former Regional Municipality of Ottawa-Carleton has recently passed a by-law which exempts not-for-profit corporations from paying development charges.

## **2. Tax Credits or Special Rates**

Providing tax credits or special tax rates is another approach to reducing housing costs which may lead to the creation of more affordable housing.

The City of Toronto established a special property tax class for new multi-residential rental housing, as permitted under new provincial legislation. 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). Private sector developers have indicated that this eight year cap needs to be lifted permanently.

The Region of York is also recommending that municipal taxes related to the development or re-development of low-income housing be waived or deferred. Quebec City provides a tax credit to encourage the development of housing on vacant land in its City core and for the conversion of non-residential to residential use.<sup>12</sup>

In the United States, tax credits are a very important incentive for affordable housing development. The Low-Income Housing Tax Credit program (LIHTC) is a federal government initiative that supports new housing development. Through LIHTC, state housing finance agencies provide tax credits to reduce federal taxes for corporate investors. The corporate investors purchase a stream of credits that can be used each year for a ten year period. These credits are not repayable and consequently have proven to be an effective way to increase the production of affordable rental housing. This major source of 'no cost' financial support from the Federal Government is estimated to provide

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<sup>12</sup> Kraus, Deborah. *Municipal Initiatives in Affordable Housing*. 1993.

equity investment that represents between 30 to 50 percent of the capital costs of new low-income rental housing. The annual tax expenditure cost of this mechanism is estimated to be about \$3 billion.

### **3. Downtown Redevelopment Incentive Programs**

Another indirect approach to creating more affordable housing is to use a downtown redevelopment incentive program. These incentive programs are usually targeted to downtown commercial or industrial areas that are in need of improvement. Including rental or affordable ownership housing in these redevelopment projects may be feasible due to reduced costs that result from the incentive program.

The City of Kitchener's Incentives Program provides owners of property within the Downtown Improvement Area with a variety of financial incentives to stimulate redevelopment, renovation and improvement to buildings in the downtown area. One of the objectives of this program is to increase the employee and residential population in the downtown. The following is a list of the rebates available to qualified property owners:

- *Tax Rebate:* The City provides a property tax rebate for a period of three years that is equal to 50 percent of the City's portion of the property tax increase attributed to the improvements;
- *Funding for Feasibility Studies:* Grants up to 50 percent of the value of feasibility studies required to determine the economic viability of a project (e.g. structural analysis, building audits, market analysis). A maximum of \$10,000 is available;
- *Rebates for Planning and Building Permit Fees:* Demolition, building permit, site plan approval, occupancy certificate and sign permit fees may be refunded to owners who develop or renovate buildings in the downtown improvement area;
- *Waiving of City Development Charges:* The City will waive development charges for development within the downtown improvement area; and
- *Waiving of Park Dedication Fees:* All residential development is exempt from Park Dedication Fees.

This comprehensive package of incentives could be used by both not-for-profit and for profit organizations to create affordable rental or ownership housing in downtown Kitchener.

The City of Cambridge initiated a Core Areas/Rehabilitation of Contaminated Sites Initiative to encourage infill and redevelopment. The Initiative provides for: a grant program to cover 50 percent of the remediation costs (up to \$1,500/unit) for residential development on contaminated brownfield sites; the waiving of development application and building permit fees; cancellation of realty tax arrears to potential purchasers; and a low-interest building revitalization loan for defined improvements to core area properties.

#### **4. Convert/Renovate to Residential Loan Program**

Another financial approach to meeting affordable housing needs is the convert/renovate to residential loan program. In the US, this is referred to as adaptive reuse. It is also a way to introduce housing into non-residential areas.

Renovation and reuse of previously vacated or deteriorated buildings can be less expensive than new construction since infrastructure and other site improvements are already in place, as well as the structure. Utilizing this approach to creating affordable housing involves various steps, including making inventories of potential adaptive reuse sites, amending local zoning regulations, arranging for possible property transfers of publicly-owned buildings, and providing assistance in obtaining sources of funding such as loans and grants.

As part of its downtown revitalization incentives, the City of Hamilton has established a residential loan program for downtown conversions or renovations. The purpose of the loan is to cover the costs of converting upper floors of commercial buildings into apartments or renovations to bring existing apartments into compliance with the Property Standards By-law and Fire Code. The interest-free loan is repayable to the City within ten years. The principal is repayable in monthly installments over a 120 month period. The owner is required to have not less than 25 percent equity in the property, which is then offered to the City as security for the loan.

The City of Kitchener is considering a program to provide financial assistance to owners of commercial properties who want to convert unused space to middle scale residential accommodation. The assistance to be provided is still under consideration by the City: it may include a forgivable loan portion plus the provision of a repayable loan for a fixed rate and term.

#### **5. Housing Grants and Loans**

Providing direct grants and/or loans to create affordable housing is another financial approach starting to be used more frequently by Ontario municipalities. Toronto, Ottawa and Waterloo are municipalities that have housing grant and loan programs.

In February 1999, the City of Toronto Council approved a \$10.9 million Capital Revolving Fund for Affordable Housing (CRF) to spur the development of affordable housing projects and provide limited capital assistance, where appropriate. Assistance to not-for-profit organizations may take the form of capital grants, loans or forgivable loans. Operating subsidies are not eligible for funding under the CRF. The fund was established using proceeds from the Toronto Housing Company's Social Housing Reserve Fund (SHRF), as well as a partial settlement received from the Province of Ontario due to the cancellation of non-profit housing allocations. The former City of Toronto acquired the SHRF in exchange for negotiated increases in height and/or density and use was

restricted by agreements which require that it be used for affordable housing purposes. It is anticipated that the CRF will be replenished using a similar approach, as well as proceeds from loan repayments.

The Region of Waterloo has established a Social Housing Reserve Fund (SHRF). The fund is being established using unspent social housing money; more specifically, the difference between what the Region budgeted for social housing based on estimates by the Province and the amount actually charged by the Province. This amount was about \$1 million for 1998. Funds would be added to the housing reserve fund each year there is a surplus in social housing spending. The money from this fund would be used as seed money for new affordable housing developments, repairs to existing projects, retrofit conversions or whatever is required to assist in the creation or preservation of affordable housing in the Region. A portion of the fund was also allocated for a building audit to provide greater certainty on the physical condition of existing housing stock.

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 housing affordable to persons who are homeless or at risk of becoming homeless. See 'Proposal Call' below for more details on this fund.

The City of Ottawa established a program that is intended to promote and support affordable housing innovation in design and financing. The \$340,000 Innovative Housing Loan Fund provides short term, interest free loans to not-for-profit groups and community-based organizations in the City of Ottawa. The fund is intended to be self-sustaining and it is to be used primarily as seed money to pay for the 'soft costs' (e.g. feasibility studies) associated with housing development. Under this program, up to \$50,000 in interest free loans are available to facilitate the development of innovative affordable housing. This initiative encourages applicants to bring forward initiatives that involve public/private partnerships and other funding (e.g. ACT). Loans have been awarded to examine several innovative initiatives, including: exploring the feasibility of converting a C Class office building to residential units; exploring the feasibility of converting a former Brewer's retail warehouse into affordable condominium loft units; and a number of other conversion and in-fill projects.

## **6. Housing Trust Funds (HTF)**

Canadian municipalities are starting to look at Housing Trust Funds as a way to help meet their affordable housing needs. In order to utilize this tool, Federal tax changes would need to be implemented.

Many states, counties and municipalities in the US have established HTFs as locally-based ways of supporting affordable housing. HFTs 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.

Most HTFs are administered on a day-to-day basis by staff in existing housing agencies or departments, but are overseen by a separate board, commission or committee. Only a few HTFs in the US are run by independent foundations, not-for-profit corporations or other entities with their own staff. These separate bodies are usually comprised of elected officials, government staff, realtors, lenders, developers, advocates for housing and others. Their responsibilities range from simply advising on funding priorities and procedures to actually selecting the projects and programs to be funded. The final decision-making authority for funding awards varies. It can rest with these separate bodies, the head of the existing agency or local council. Projects and programs to be funded are usually selected through an open and competitive review process without significant political involvement.

Most HTFs provide both grants and loans. Generally, the funding is available for new construction, rehabilitation, conversion and acquisition, as well as assistance for home purchase and home repair for lower-income homeowners. In addition, most HTFs support pre-development work (e.g. seed money), as well as “capacity-building” efforts to enhance the financial or technical expertise of not-for-profit organizations.<sup>13</sup>

The Edmonton Coalition of the Homeless has completed an extensive feasibility assessment on housing trust funds utilizing funds from Homegrown Solutions. It is currently in the process of establishing a housing trust fund. An initial donation of \$50,000 has been secured for the fund from a private foundation.

The City of Saskatoon is involved in the development of a trust fund, the Saskatoon Housing Initiatives Partnership. This initiative provides an avenue for community groups to source financing from a variety of sources. A key objective of the SHIP initiative is the development of a capital investment fund that is supported by tax credits to investors to reduce the cost of borrowing start-up capital.

The Region of York's Report on Housing Needs also recommends consideration of the establishment of a Housing Trust Fund to help meet the Region's affordable housing needs.

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<sup>13</sup> Drdla, Richard & Associates Inc. *Housing Trust Funds*. CMHC. 2000

## **7. Land Trusts**

Land trusts are organizations created specifically to hold land for the benefit of the community and to ensure the long-term use of land as a resource for providing affordable housing.<sup>14</sup> Some municipalities have made use of these trusts to establish land banks for this purpose, or have simply held land directly. The City of Saskatoon for many years had an active program of land banking, as did the City of Windsor. Many of these lands were eventually made available at favourable rates in exchange for the development of affordable housing. Similarly, the City of Toronto is currently making available surplus City-owned land by means of a \$1 lease to not-for-profit organizations to help encourage affordable housing as part of its “Let’s Build” initiative.

### **E) Administrative Approaches**

In the near future, municipalities across Ontario (in particular those identified as CMSMs and DSSABs)) will be responsible for the administration of most of the social housing within their jurisdiction. This new administrative role may enable municipalities to find cost savings in the non-profit or public housing program that could be used to create more affordable housing in the community.

There are some examples of other administrative approaches that could help a municipality meet its affordable housing needs. These are described below.

#### **1. Direct Administration and/or Funding of Housing Programs**

Many urban municipal governments are delivery agents for the federal Residential Rehabilitation Program (RRAP) and the Emergency Repair Program (ERP). Direct delivery enables a municipality to use federal and provincial programs strategically to help meet community needs, including facilitating the conversion of non-residential property into affordable rental housing. Some municipalities are also exploring ways to get involved with Local Housing Corporations’ responsibility for entering agreements with landlords under the new Provincial Rent Supplement Program (e.g. Region of Waterloo is doing this).

#### **2. Reallocate Existing RGI Housing**

Peel Region is exploring the feasibility of reallocating RGI units to new developments and using the new rent supplement initiative to provide incentives for private landlords and developers to create new rental housing. The premise is that under devolution, municipalities will have the ability to negotiate target plans, subject to ensuring that the overall number of RGI units is not decreased in the municipality as a whole. There are about 9,000 RGI units in Peel Region.

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<sup>14</sup> CMHC. *A Guide to Land Trust and Affordable Housing in Canada: Land for our Future*. 1995.



### **3. Edmonton Rooming House Initiative**

In many communities, rooming houses play an important role in meeting some of the affordable housing needs of the community. However, it is often found that the administration and regulation of rooming houses is costly to both the municipality and the owners of rooming houses, thereby driving up housing costs and discouraging supply. Of particular concern is the fact that in many municipalities a host of inspectors from different departments are all involved in the regulation of the same rooming houses (building code inspectors, fire code inspectors, zoning inspectors, health inspectors, etc.), thereby driving up costs and discouraging supply. The City of Edmonton has undertaken an initiative to reduce these costs through the process of “cross-training” of inspectors such that one inspector can undertake all required inspections, thereby creating significant savings for all involved.

#### **F) Advocacy Approaches**

A municipality has many opportunities to take on an advocacy role as a way to help meet its affordable housing needs. Establishing task forces, assisting in the development of community action plans, housing sector activities and political leadership are advocacy approaches that have been used by municipalities.

##### **1. Housing Task Forces**

A number of municipalities have established housing task forces as a way to examine the state of housing in their community and to advocate to all levels of government for changes that will help to meet the country's affordable housing needs. Task Forces tend to be comprised of leaders in the community, with varying areas of expertise, who will be able to advocate all levels of government for the required changes.

An Affordable Housing Task Force was formed by two City of London Councillors to examine an exhaustive list of options to promote the development of affordable housing in the City. The City of Toronto established the Mayor's Homeless Action Task Force which was chaired by Dr. Anne Golden. The Region of York's Affordable Housing Task Force was chaired by a local Councillor.

##### **2. Community Action Plans**

The workings of many task forces lead to the development of community action plans to deal with housing issues. For example, the City of Calgary's Community Action Plan: Reducing Homelessness in Calgary was released to the public in May 1998. Among a range of support initiatives, the Plan makes recommendations to create legislation, regulations, and policies that are supportive of developing low cost rental housing. The former Region of Ottawa-Carleton has recently updated its Community Action Plan to Prevent

and End Homelessness and the City of Toronto has established a Report Card to evaluate its progress with meeting the recommendations of the Action Plan for Taking Responsibility for Homelessness.

### **3. Municipal/Housing Sector Activities**

Another advocacy approach used by municipalities that operate municipal non-profit housing corporations is to advocate for additional non-profit housing vis-à-vis sector organizations such as the Ontario Non-Profit Housing Association, Canadian Housing and Renewal Association and so on. The Federation of Canadian Municipalities prepared a report to document the nature of the affordable housing and homelessness problem in Canada and to develop a national policy options paper that outlines options for action by all levels of government. These organizations have played a key role in advocating senior levels of government for more funds for non-profit housing or affordable housing. Becoming an active member in these and related associations provides not only the opportunity for municipalities to advocate for increased support for affordable housing; it also provides increased opportunity to share ideas and information valuable in formulating local affordable housing strategies.

### **4. Political Leadership**

Many municipal Councils have traditionally provided direction and leadership in the housing field within their community. With the recent legislative and policy changes in the housing field, many municipalities are taking a stronger political leadership role in housing.

For example, the City of Burlington maintains its advocacy role by increased attention to directing comments to senior levels of government in their formulation and implementation of housing policies and programs. The City of Toronto's declaration of a national disaster due to homelessness and the Region of Waterloo's request to the Ministry of Municipal Affairs and Housing to reconsider its directive of selling scattered detached and semi-detached rental units are other examples of political leadership at the municipal level.

## **G) Direct Provision**

There are numerous examples where municipalities have been involved in the direct provision of affordable housing to meet their community's needs.

### **1. Shareholder of Municipal Non-Profit Housing Corporations**

Many municipalities across Ontario directly provide affordable housing in their communities by taking on the role of developing and managing non-profit housing rental units. Up until 1995, there were a range of federal and provincial programs that provided start-up funding and mortgage guarantees for the development of rent-geared-to income

units. Shelters also come under the jurisdiction of municipalities; consequently many municipalities are directly involved in providing emergency shelter services in their communities.

With devolution will come a requirement that all 47 CMSMs/DSSABs establish Local Housing Corporations to own and operate OHC public housing stock. This will create additional opportunities to enter into direct provision of affordable housing. The withdrawal of Federal and Provincial funding for such activity, of course, has created an enormous challenge for municipal housing corporations to develop approaches and resources with which to undertake development. Nevertheless, some municipalities, such as the City of Toronto, have carried on producing limited affordable housing through their non-profit housing corporation using local financial and property resources.

## **2. Direct Financing of Affordable Housing**

Some municipalities are starting to explore, in a limited way, the feasibility of directly financing affordable housing projects.

The Region of Peel has considered providing direct financing to Peel Living and possibly other non-profit organizations to develop new affordable housing. The Region could use its capital reserves for this initiative; the argument being that the reserves must be invested in some way and investing in affordable housing development could be one way of generating reasonable returns but costing less than other potential financing.

The City of Windsor has built 17 modest homes using an innovative approach that involves the City building a modest home on City-owned property and selling it to a local resident. Residents are selected through a lottery process. The selling price of the home is below market value because the purchaser rents the land from the City for five to ten years, the period it takes for the homeowner to accumulate the required equity to buy the land portion from the City. To date, four of the 17 purchasers have purchased their homes outright. City staff indicated that this initiative works well when interest rates are competitive.

The City of Peterborough has taken a similar approach, initiated when a number of properties were acquired on tax default and were originally intended for demolition. Working together with local volunteers and representatives of a variety of sectors, the City has saved these homes and renovated them for use as affordable housing on a rental basis.

The City of Vancouver was instrumental in providing financial support for VanCity Place for Youth, a 50-unit housing development for street-involved youth. The City's total contribution to the \$4.5 million project was \$2.1 million, including land at no cost as well as a capital grant. In addition, the VanCity employees undertook a fundraising initiative that resulted in a total of \$1 million in donations. No senior government funding was used for this project.

## **H) Education**

Educating the public about affordable housing needs and approaches is a crucial municipal role in generating public support for such initiatives. For example, the former City of Etobicoke developed a public education program when initiating a program of residential intensification in the early 1990s. A series of public forums were held and printed materials made available to help educate the public about the nature and benefits of the initiative.

Similarly, the former Municipality of Metropolitan Toronto produced a video promoting intensification and mainstreeting as approaches to help meet housing needs and planning objectives in the area. This video was shown widely to a variety of groups across Metro to help educate the public and gain support for the initiative.

Municipalities have a variety of approaches available to help educate the public, ranging from workshops and public presentations to major media campaigns. Given the move toward pursuing local financial resources to help fund affordable housing, the need to generate local support through public education has never been greater.

## **I) Facilitating Public-Private Partnerships**

In general, public-private partnerships are defined as arrangements where development is undertaken with a combination of not-for-profit, private and public participants or programs. Due to the recent elimination of most senior government funding of affordable housing, many municipalities are looking for new ways to create more affordable housing and partnerships is one such way.

The following are some examples of municipal facilitation of public-private partnerships.

### **1. Demonstration Projects**

In November 1998, the City of Toronto issued a Concept Proposal Call for a partner for an Affordable Housing Demonstration Project. Under this initiative, the City wished to form partnerships with one or more not-for-profit organizations to develop below-market rental housing without funding on-going operating subsidies. A specific City-owned site where most of the planning approvals had been previously granted was identified by the City for the demonstration project. The City was willing to discuss a number of options for financial contribution to the project. In July 1999, City of Toronto Council also approved a report that sets out a model for Single Room Occupancy (SRO) housing in Toronto, including proceeding with pilot projects. Council supported, in principle, the use of the City's incentives and regulatory tools (e.g. loans/grants, tax break) to encourage the development of SROs.

The Region of Ottawa-Carleton has approved a Housing First Demonstration Project. Under this program, the Region offered selected regional properties for \$1 to non-profit

housing providers to create housing affordable to homeless people or those at risk of homelessness.

The former City of Nepean has also entered into private/public partnerships whereby it has provided free land and start up money to a not-for-profit housing project, as well as providing seed money for other housing initiatives (e.g. Meridian Life Lease Project).

## **2. Affordable Housing Proposal Calls**

In the fall of 1999, the City of Toronto launched its *Let's Build!* initiative. The objective of *Let's Build!* is to stimulate interest from developers to build affordable housing in the community. The initiative brings together all the 'tools' the City has made available to help stimulate the creation of new affordable housing: City-owned sites at a reduced cost; special property tax for new rental housing; exemption of development charges; and capital grants, loans or forgivable loans from the Capital Revolving Fund (note: as a guide, assistance from CRF should not represent more than 25 percent of total project capital costs).

In the fall of 1999, the former Region of Ottawa-Carleton put out a Request for Proposals for initiatives sponsored by not-for-profit organizations that aim to end homelessness by providing services or increasing the supply of housing affordable to individuals or families who are homeless or at risk of being homeless. Proponents could access funds from a number of Regional sources:

- Homelessness Initiatives Fund – Ongoing or One-time funding;
- Capital Grants for Affordable Housing (e.g. up to \$20,000 per unit);
- Rent Supplement Program from the Province's new initiative;
- Housing First Demonstration Project (e.g. surplus regional land at a nominal fee); and
- City of Ottawa Innovative Housing Loan Funds.

The Region of Waterloo has also recently come forward with a similar initiative of this nature.

## **3. Municipal Non-Profit/Private Sector Initiatives**

Peel has met with a number of private sector developers and financiers to explore public/private development initiatives. One proposal involves Peel Living leasing about 25 percent of the units in a new rental housing project proposed by an established developer. The units would be leased to Peel Living at the market rent. Any savings that Peel brings to the development (e.g. waiving development charges, fees) will be applied to reducing the monthly lease payments for its 25 percent of the units. In addition, Peel Living could reallocate RGI units from its existing portfolio to the new development. This initiative is still in the planning stages.

The existence of numerous municipal non-profit housing corporations across Ontario and the creation of a number of additional local housing corporations due to devolution provides a great deal of opportunity for municipalities to undertake initiatives of this nature.

#### **4. Affordable Home Ownership Initiatives**

As noted earlier, the City of Windsor has built 17 modest homes using an innovative approach. This approach involves the City building a modest home on City-owned property and selling it to a local resident. Residents are selected through a lottery process. The selling price of the home is below market value because the purchaser rents the land from the City for five to ten years, the period it takes for the homeowner to accumulate the required equity to buy the land portion from the City. To date, four of the 17 purchasers have purchased their homes outright. City staff indicated that this initiative works well when interest rates are competitive.

Peel recently cancelled an affordable homeownership project that it initiated several years ago. The project concept was for a private developer to build ownership housing on a Region-owned site. The zoning and other planning approvals were initiated by the Region prior to sending out the RFP. Initially, there was a lot of interest in the project but in the end only one developer responded to the RFP. After a number of delays this developer also opted out of participating in the project because he felt there was too much red tape involved and the cost projections were no longer valid. The Region is now contemplating disposition of the property. Their conclusion is that, unless some form of subsidy or other financial concession is offered, the private sector is not interested in any partnership targeted for affordable ownership.

The City of Prince Albert was a key player in establishing a new affordable homeownership initiative. In this initiative, a community co-operative assists low-income households to purchase and rehabilitate existing homes. The province provides a 20 percent grant toward a down payment on the home and the City contributes a further 5 percent. The assisted homeowner must be able to afford the mortgage on the remaining 75 percent of the cost. CMHC assisted in this initiative by providing a grant from its Homegrown Solutions program.

In the last five years, Request for Proposals were solicited by the City of Ottawa for two surplus City-owned properties. The properties were offered to the private sector at below market value in exchange for a commitment by the developer to construct affordable housing within a price range specified by the City. The first site, a former fire station, resulted in the creation of 26 stacked townhouse units in the \$113,000 to \$125,000 price range. An evaluation of this initiative found that all 26 households were first time homebuyers who had been previously renting in the downtown core. This initiative was considered highly successful because new affordable ownership housing was created in an area of the downtown that needed to be revitalized and 26 rental units were freed up

for others in the community. The second site employed a similar approach and it resulted in the creation of 54 stacked townhouses with an upset price of \$154,500. Once again, these homes were geared to the first time homebuyer, resulting in the increased availability of rental units. Unfortunately, the City no longer has surplus land available for initiatives of this type

## **5. Public/Private Partnership Task Forces**

The former Region of Ottawa-Carleton's Community Action Plan recommends that the Region create a Task Force on public/private partnerships to encourage the private sector to take a more active role in dealing with homelessness and to increase the stock of affordable housing. The Task Force participants would provide the Region with input on barriers or incentives for the creation of affordable housing.

The above examples of current practices point to a vast array of ideas, approaches and options for municipalities to consider in formulating comprehensive affordable housing strategies utilizing the full range of available tools. Many more ideas are being considered, developed and tested on an ongoing basis by jurisdictions across Ontario and elsewhere. One initiative that could be considered by municipalities is to provide an internet-based ideas exchange (perhaps in partnership with the OPPI website) to enable ongoing updating of the above practices to add to potential municipal initiatives in the provision of affordable housing.

## **RESPONDENTS TO OPPI SURVEY**

We would like to thank the following OPPI members for responding to our request for information on municipal affordable housing initiatives.

	<b>Name</b>	<b>Organization</b>
1.	Stephen Alexander	City of Cornwall
2.	David Caplan	Member of Provincial Parliament
3.	Marni Cappe	Region of Ottawa-Carleton
4.	Karen Cooper	City of Burlington
5.	Avi Friedman	McGill University
6.	David Gordon	Queen's University
7.	Dennis Jacobs	City of Nepean
8.	Ross Paterson	City of Toronto
9.	Greg Spafford	PricewaterhouseCoopers
10.	Stuart Starbuck	Private Developer
11.	Kristine Taylor Lee	Queens University Graduate
12.	John Towndrow	Government of Canada
13.	Nick Tunnacliffe	Region of Ottawa-Carleton
14.	Peter Walberg	Regional Municipality of Waterloo



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