



Ontario
Home Builders'
Association

Inclusionary Zoning Submission

Environmental Registry #: 012-7617

- BILD
- Bluewater
- Brantford
- Chatham-Kent
- Cornwall
- Greater Dufferin
- Durham Region
- Grey-Bruce
- Guelph & District
- Haldimand-Norfolk
- Haliburton County
- Hamilton-Halton
- Kingston-Frontenac
- Lanark-Leeds
- London
- Niagara
- North Bay & District
- Greater Ottawa
- Oxford County
- Peterborough &
- The Kawarthas
- Quinte
- Renfrew
- Sarnia-Lambton
- Simcoe County
- St. Thomas-Elgin
- Stratford & Area
- Sudbury & District
- Thunder Bay
- Waterloo Region
- Windsor Essex



Submitted to: Hon. Chris Ballard
Minister of Housing
August 2016



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About OHBA

The Ontario Home Builders' Association (OHBA) is the voice of the land development, new housing and professional renovation industries in Ontario. OHBA represents over 4,000 member companies, organized through a network of 30 local associations across the Province. Our membership is made up of all disciplines involved in land development and residential construction, including: builders, professional renovators, trade contractors, manufacturers, consultants and suppliers. Our members have built over 700,000 homes in the last ten years in over 500 Ontario communities. The residential construction industry employed over 330,000 people and contributed over \$51 billion to the Province's economy in 2015.

OHBA is committed to improving housing affordability and choice for Ontario's new home purchasers and renovation consumers by positively impacting provincial legislation, regulation and policy that affect the industry. Our comprehensive examination of issues and recommendations are guided by the recognition that choice and affordability must be balanced with broader social, economic and environmental issues.

Background

In 2010, the Province of Ontario released a Long-Term Affordable Housing Strategy and an updated strategy was released earlier this year. OHBA participated extensively in the consultation process – our submission is available at www.ohba.ca/publications/454/hits and made the following key recommendations:

1. Create a long-term portable housing allowance program to provide immediate assistance to low-income households who have housing affordability problems;
2. Amend the *Planning Act* to permit 'as-of-right' secondary suites across Ontario;
3. Stop the regressive taxation of tenants by equalizing residential and multi-residential property tax rates across Ontario;
4. Reduce unnecessary government-imposed cost and regulatory barriers to the supply of new housing which constrain housing opportunities for lower income households;
5. Address homelessness by focusing on special needs housing and services for the hard-to-house and integrating enhanced support services within housing projects;
6. Leverage existing assets, unlock land and make strategic investments to fix Ontario's existing social housing stock as well as build new affordable housing in livable, walkable, location-efficient communities;
7. Better link transit and transportation investments with land-use planning including pre-zoning along transit corridors;
8. Streamline planning process for affordable housing projects;
9. Implement a Transportation Planning Policy Statement (TPPS) through the Ministry of Transportation that would support affordable housing and apply to higher-order transit corridors across Ontario;
10. Support Tower Renewal;
11. Do not amend *Planning Act* to permit for inclusionary zoning.



As part of the Long-Term Affordable Housing Strategy, the Ministry of Housing is consulting on a potential new regulation or regulations under the *Planning Act* if Schedule 4 of the *Promoting Affordable Housing Act, 2016* (Bill 204) which may be passed by the Legislature. If passed, Schedule 4 proposes amendments to the *Planning Act* which would establish a framework for municipalities to pass inclusionary zoning by-laws and establish regulatory authority to:

- Prescribe the content of inclusionary zoning policies in municipal Official Plans;
- Prescribe the content of inclusionary zoning by-laws;
- Prescribe the content of agreements that may be required to maintain the affordable units over a period of time;
- Prescribe the procedures for monitoring and ensuring affordable housing units are maintained for the required period of time;
- Prescribe the circumstances under which section 37 of the *Planning Act* may be used when an inclusionary zoning by-law is in effect;
- Prescribe the content, timing and distribution of municipal reports and information concerning affordable housing units;
- Prescribe a transition date in relation to matters and proceedings started before or after the effective date and/or the date of municipal adoption of inclusionary zoning policies and/or zoning.

OHBA believes that if the Province of Ontario proceeds with enabling the tool of inclusionary zoning, it must be considered in the context of the entire legislative framework and it should be delivered in a clear planning framework with accompanied fiscal supports.

The consultation for the inclusionary zoning framework comes at the same time as Province's consultation on the Co-ordinated Review of the Greenbelt Plan, Oak Ridges Moraine Conservation Plan, Niagara Escarpment Plan and Growth Plan for the Greater Golden Horseshoe as well as having just amended the *Planning Act* and the *Development Charges Act* through the *Smart Growth For Our Communities Act* (Bill 73). The Province has also brought in a Climate Change Action Plan, is consulting on amending the *Conservation Authorities Act* and is set to launch a consultation on the Ontario Municipal Board (OMB) and Metrolinx.

All of these recent legislative, regulatory and policy amendments have planning and financial implications for the delivery of housing in communities across Ontario. It is important that we work in partnership to provide mutually beneficial outcomes, as the government has the ability to make changes that will have either a positive or negative impact on housing affordability and choice for households at all income levels.



Executive Summary

In an effort to work collaboratively and with the new legislation (Bill 204) proposed in mind, OHBA is taking a proactive public policy approach towards achieving a “partnership model” for inclusionary zoning that will work effectively for government, the private sector and, most importantly, for those in need to safe, secure and affordable housing. Today we have an opportunity to create an inclusionary zoning framework that could leverage planning and financial tools that would facilitate the creation of government mandated affordable housing units without compromising the health and affordability of the broader housing market. Earlier this spring, former Housing Minister McMeekin stated in the Legislative Assembly about inclusionary zoning that:

“...it works by partnering together with our municipalities and the private sector and not-for-profits, to try to encourage, incent and plan for the provision of social and affordable housing... We’re meeting with our partners. We’re going to come up with something very comprehensive, and it’s going to work.” Minister McMeekin further added, “that’s why we’re developing a broader set of legislative changes that will go beyond inclusionary zoning. That’s why we want to talk to our partners, because, believe it or not, the development industry and our municipalities and some of my colleagues in this House have got some great ideas that need to be rolled into that legislation.”

OHBA agrees with former Minister McMeekin that inclusionary zoning is all about partnerships.

Access to housing is part of a healthy and civil society. Public bodies, the non-profit sector and the development industry each have an important role to play to improve access to housing. We believe that a partnership model where the costs of delivering government mandated affordable units are shared is the most effective way to make a significant impact, and essential to achieving success with this initiative. OHBA appreciates the opportunity to present our views and recommendations to the government on the proposed regulatory framework, which is a reaction to the current housing market conditions in some urban centres. We are hopeful that these recommendations will assist and inform the Province to develop a strong regulatory framework for inclusionary zoning based on a partnership model.

Key Recommendations

OHBA is pleased to submit our key recommendations towards achieving a partnership model for inclusionary zoning:

- OHBA supports a partnership model for inclusionary zoning in which the private sector takes responsibility for the design, construction, project financing of the community, administration, and delivery of affordable housing units, while the public sector takes responsibility for the costs of delivering the units via measures, incentives, offsets and supports;
- OHBA supports municipal flexibility to establish program targets based on local market conditions under a provincial framework that establishes a clear partnership that includes off-sets to cover the costs of delivering the program;
- OHBA believes that “gap housing”, that band of housing just below market rental or ownership, is the appropriate target group under an inclusionary zoning framework;
- OHBA supports flexibility for municipalities to determine price/rent based on their specific market conditions, matched to the “gap housing” income group with appropriately matched planning and financial supports to ensure a true partnership model;
- Provincial regulation should establish a maximum for number of units-set-aside for the government required affordable housing as; up to 10 per cent for high-rise based on the incremental density over ‘as-of-right’ zoning permissions and up to five per cent for low-rise based on the incremental density over ‘as-of-right’ zoning permissions;
- Any forthcoming regulation should provide flexibility for municipalities to tailor the length of affordability periods to meet local needs to a maximum of 20 years. However, the regulation should require that measures, incentives and supports be directly correlated to the affordability time period to ensure that the cost of delivering government required affordability is appropriately shared between partners;
- OHBA is supportive of an ownership structure that allows the affordable unit owner to retain and build a share of the growth in equity over time;
- Any forthcoming regulation should establish a minimum application threshold of 100 units for multi-family developments and a density threshold of 25 units per acre for low-rise / grade-related residential developments;
- OHBA recommends the following measures, incentives and supports be considered (but not limited to) in a partnership model:

Provincial Measures & Incentives:

- Leveraging existing assets such as surplus lands for off-site units or for pooled resources from cash-in-lieu contributions;
- Low interest loans through organizations such as Infrastructure Ontario;
- Waiving the provincial share of HST;
- Waiving the provincial land transfer tax;
- Providing provincial tax credits;

Municipal Financial & Planning Measures & Incentives:

- Waive property taxes for the affordability period;
- Waive building permit and other planning related fees;



- Waive development charges;
- Waive parkland dedication requirements;
- Waive parking requirements;
- Waive municipal land transfer tax, where applicable;
- Allocation of capital from the Development Charges Reserve Fund;
- Provision of rental supplement allowances;
- Tax Increment Financing (TIF) based model to finance the necessary financial supports;
- “True” density bonuses above and beyond modernized as-of-right zoning;
- The Province should allow separate condominium corporations within a building. This would also allow for the government required affordable units to have separately cost amenities and services to reduce ongoing operational costs. This will also help to avoid cross-subsidies;
- OHBA does not support utilizing Section 37 to secure any additional obligations over and above the affordable inclusionary zoning units;
- Any forthcoming regulation should establish an effective transition date for complete applications filed after January 1, 2018. For municipal inclusionary zoning by-laws established after this date, a transition period would apply for complete application, whereby these applications would be grandfathered, as of the effective date of the municipal by-law;
- Any forthcoming regulation should direct municipalities to implement inclusionary zoning through enabling policies of a local Official Plan and implement these policies through updated municipal zoning by-laws;
- It should be recognized that a ‘one size fits all’ approach won’t always work. As such, Schedule 4 of the proposed Bill 204 requires amendments to provide greater flexibility, otherwise affordable units may be required in projects that make no sense:
 - The legislation should be amended to allow for the delivery of units “off-site”;
 - The legislation should be amendment to permit the payment of cash-in-lieu of the provision of affordable housing units.

An Inclusionary Zoning Framework for Ontario

Inclusionary zoning refers to municipal policies that require the provision of below-market-price housing as part of a larger market-rate developments. The private sector obligations towards ‘affordable housing’ required by such policies can take the form of land, housing units and/or cash-in-lieu depending on the design of the policy. OHBA is concerned that some stakeholder groups are advocating for inclusionary zoning as a means to create “free affordable housing units”; however, these units are anything but free. The additional cost requirements would, in turn, be passed onto the rest of the purchasers or tenants in the residential development through higher rents or purchase prices. Thus inclusionary zoning is a policy that without appropriate financial and planning support, creates government-required affordable housing units by making the rest of the market housing units in a given project less affordable.

OHBA notes that while *some* costs may be absorbed into the price of land over time, that there is no such thing as affordable concrete, labour or cladding systems - someone always pays, and this planning tool if not implemented *fairly* or *equitably* is essentially a hidden tax on the band of new homeowners that can afford the market rate. If municipalities and the Province support subsidized housing as a societal goal, then the cost should be shared by the community at large or as former Minister McMeekin stated through creative partnerships between public and private sector actors.

In jurisdictions where inclusionary zoning policies have been implemented, such as those in the United States, they are most effective in high growth areas with measures, incentives and supports that ensure feasibility and share the costs through a partnership framework. A July 2016 study, *The Economics of Inclusionary Development* by the Urban Land Institute and the Terwilliger Center for Housing found that almost all cities in the United States offer various types of development incentives to offset the economic impacts the inclusionary policy has and that the inclusionary policies depend on market-rate development to be successful.

“In most cases, jurisdictions will need to provide development incentives to ensure the feasibility of development projects affected by an IZ policy. The principal incentives are direct subsidies, density bonuses, tax abatements, and reduced parking requirements. Individually and in combination these incentives can substantially enhance the feasibility of development projects affected by an IZ policy.”

In the jurisdictions where inclusionary zoning has been effective a partnership model has been observed and generally there has been a strong housing market. OHBA supports a ‘partnership’ framework in which the private sector accepts responsibility to make affordable housing available within new buildings on the principle that the assistance required to achieve affordability remains the responsibility of the public sector. In accepting responsibility to ‘include’ affordable housing in new developments, it would remain the responsibility of the private sector to:

- Make such units available in its projects as may be required by the by-law;
- Absorb all short-term administration costs relating to delivery of the affordable units through development applications, permit applications, etc.;
- Absorb or share costs with non-profit housing providers relating to long-term administration of the affordable units, and;
- Invest equity and incur potentially significant financing costs to secure construction financing for the ‘affordable units’.

Existing Successful Partnership to Create Affordable Housing

OHBA wants to outline that there are already existing public-private partnerships that have successfully delivered government created affordable housing.

Affordable Housing Open Door Program – City of Toronto

Toronto will spend more than \$272 million over the next five years to boost construction of affordable housing through fast-tracked building approvals, development fee exemptions and property tax holidays.

Under the Open Door Program, non-profit and private rental housing projects are eligible for development fee exemptions and municipal tax waivers on new units if they are affordable for a minimum of 25 years.



The city has set a 10-year goal to create 10,000 affordable rental and 3,000 affordable ownership homes by 2020.

For affordable ownership, the city's Home Ownership Assistance Program can provide \$25,000 in funding per unit to help cover development charges and other fees. Developers must be non-profit groups, such as Habitat for Humanity, or building on public lands.

Eligible purchasers will receive a \$25,000 no-interest, no-payment down-payment assistance loan from the developer that doesn't have to be paid back until the unit is sold. That money helps provide the next loan under the program.

All eligible rental and ownership developments where at least 20 per cent of the homes are affordable will have access to dedicated staff within the city's planning department to fast-track approvals, shortening the wait for typical applications from 18 months to 12.

Toronto is freeing up more surplus municipal land for the initiative and is urging other levels of government to do the same.

Mayor Tory announced the program a year ago, at 200 Madison Ave., a city-owned affordable housing site that has been vacant for 10 years. A new 82-unit building has since been approved and environmental remediation has begun under *Open Door* program.

It is the municipal toolbox that Toronto is providing under the *Open Door* program that is supporting the sponsorship model, and to date has secured almost 300 affordable units as a result.

York Region – Making Rental Happen – 212 Davis Drive Pilot Project

In an effort to get one of the largest rental projects in recent York Region memory off the ground, the Town of Newmarket and the Region agreed to provide both planning and financial supports to "Make Rental Happen".

Along with supporting the rezoning of the 2.4-acre property located between Parkside Drive and Lorne Avenue, and permitting surface parking, the town and region also agreed to support a three-year development charge deferral and Newmarket also plans to delay the collection of planning application and building permit fees for the same time period.

In exchange, the building would remain a rental complex for at least 20 years and includes over 56 affordable housing units.

The private-public partnership was celebrated at the ground-breaking ceremony on June 26, 2015.

A champion of the 212 Davis Drive project, Regional Councillor and Deputy Mayor of Newmarket John Taylor, Co-Chair of the Human Services Planning Board and a member of AMO's Housing and Homelessness Task Force, his recent comments regarding the introduction of inclusionary zoning powers clearly support the need for a partnership model in making housing projects happen.



Affordable Housing In Newmarket, Published on May 19, 2016 -
<http://johntaylornewmarket.ca/affordable-housing-newmarket/>

Today the Province of Ontario introduced the *Promoting Affordable Housing Act, 2016*. I spent the last year on the Association of Municipalities of Ontario Housing and Homelessness Task Force. Both that Task Force and the Community and Health Services Committee at York Region (which I chair) have provided input to the Province in anticipation of this Act.

The most anticipated and important aspect of this Act is the introduction of Inclusionary Zoning. What is Inclusionary Zoning? Let me put it this way – I have often been asked why don't you make developers build affordable housing and the answer was because we can't. Now we can. Now don't get me wrong it is not that simple and the Act has not been passed, but we are on the road to having a significant new tool to create more affordable housing in Newmarket and York Region. (York Region and Newmarket has called for 25-35% affordable housing largely on our corridors for some time now but how affordable these units were and for who was a subject of ongoing debate.)

The Act also introduces many other new measures including 175 million dollars which should translate into many more new affordable units across Ontario. Also the introduction of a portable housing benefit will be introduced and in particular recognizing the need for such portability for women who have suffered domestic violence.

Like so much legislation there is still a great deal of work to be done. We do not know how inclusionary zoning would be enforced but we do know that the current legislation would not allow it to be appealed at the OMB.

I think it is also important that we recognize that the development community will still be a partner in the success or failure of affordable housing in our communities as they always have been. We need to work with developers to ensure that inclusionary zoning can be implemented in a manner that will still see housing get built. I am aware that the development community is not, for the most part, terribly happy with this legislation but we can still work together to build complete communities and we can still try to listen to each other's concerns as we find ways to make this work.

At 212 Davis Drive we were able to introduce the first new rental building in York Region in over 20 years by working with the developer from beginning to end. This was the first major success of the #MakeRentalHappen campaign. Rental housing is a very important form of affordable housing. We were also able to secure 25% of the units for rent subsidization through Housing York. It stands as a great example of how to innovate and partner to create affordable housing. Belinda's Place Homeless shelter has been another significant advancement in housing and homelessness in Newmarket.

The path forward to more affordable housing got stronger today but much work and partnership is needed to see this succeed in the long run.

Region of Halton – Affordable Housing Plan

Region of Halton has recently secured units in new condominium developments including Molinaro Groups Paradigm project at the Burlington Go Station. The Region decided that it was best to invest in these private developments to support an integrated complete community vision, and by working directly

with the developer, was able to secure the units at will own, manage, and are responsible for the condo fees and taxes associated. Halton will rent the units to families on their affordable housing waiting list, and since the units are located next to the GO station, it provides the unit-renters with transportation access.

AMO Conference – August 16, 2016 – Affordable Housing: Beyond the Magnitude of Any One Government to Address

This recent session at AMO all the presenters, including representation from the Ministry of Housing, emphasized the need for partnerships – both across government but also with private and non-profit developers – as the key to creating affordable housing.

Examples cited by the presenters including the need to planning and financial support to make the development economically viable and the benefit the community earns through the partnership model.

Program Targets

There is ample evidence that housing affordability problems in Ontario are a combined issue of reduced housing supply, increased costs and income levels that have not kept pace. In other jurisdictions inclusionary zoning has targeted just below market rate housing often referred to as 'gap' or 'worker' housing to meet the needs of those for whom monthly rent or mortgage carrying costs are just out of reach.

If inclusionary zoning is to become an effective policy in Ontario, it is critical to understand who specifically is being targeted to be served by the program and to develop an appropriate partnership framework around that objective. The Province should establish, through the regulation, some clear outer limits for what inclusionary zoning can be designed to achieve, provide for clear and consistent definitions, but allow for flexibility for municipalities to define their own targets based on local markets and local needs. OHBA is also concerned that the Provincial Policy Statement (PPS) definition of "affordable" may be too broad within an inclusionary zoning framework and that average market values, as tracked by CMHC, may be a better measure of affordable and local market conditions.

Under a partnership model, the off-set subsidy from municipal and provincial partners could be targeted to cover the gap between delivering the units and the ability for those being targeted to pay. An inclusionary zoning program designed to provide a deeper subsidy for lower-income households would have to include a more robust package of off-sets to cover the delta between the cost of providing government required affordable housing (both capital and operating) and the rental income that is being provided.

OHBA notes that no matter whom the targets are established for, there will be varying levels of costs to deliver units and the program will not function properly or maintain economic viability without partnerships. Furthermore inclusionary zoning could be combined with other programs including a housing allowance to provide the necessary supports.

Lastly, OHBA notes that inclusionary zoning is not a panacea to solve housing affordability challenges for all income groups or people/families with special needs. Typically inclusionary zoning programs in other jurisdictions have not been able to address “deep affordability” and have targeted for what the British often refer to as “gap housing”. OHBA believes that it is the “gap” band of housing just below market rental or ownership housing that would be most well positioned to be addressed under an inclusionary zoning framework.

Price and Rent

As a component of the program targets, price and rent thresholds will need to be established. There are many ways in which the price and rent can be determined, but as the provincial consultation paper noted, the price/rent is typically determined by the area median income of the average purchase price in the community.

OHBA believes that the Province should establish broad parameters to determine price and rent (such as maximums or minimums) by establishing who inclusionary zoning is for and how it is defined (as noted in the above section). Once these broad parameters are established through the provincial regulation there should be a degree of municipal flexibility to tailor the program to suit local municipal needs. Again, OHBA supports flexibility for municipalities to determine price and rent insofar as they are appropriately matched by incentives and supports within a partnership model.

Unit Set-Aside

The unit set-aside is typically expressed as a percentage of units in a building, but could also be expressed as a percentage of GFA/FSI. OHBA asserts that any forthcoming regulation should establish a maximum for number of units set aside as affordable housing as:

- Up to 10 per cent for high-rise based on the incremental density over ‘as-of-right’ zoning permissions.

Lastly, OHBA notes that, depending on how a local inclusionary zoning framework is established, based on the percentage of units set aside and the depth of affordability reached that under a partnership model, the supports would have to correspond and connect to each program component.

Affordability Periods

Bill 204, if passed, will require municipalities to ensure that units provided through inclusionary zoning by-laws are maintained over time. The method in which this would be achieved will differ depending on the tenure of the units (rent or ownership). OHBA further notes that the affordability control period under a partnership model would have a direct correlation to the measures, incentives and supports to maintain

affordability over the long-term (i.e. property tax exemptions through the control period for affordable rental units). For affordable rental units, OHBA recommends that the 'affordability period' (or the duration in time by which an affordable housing unit(s) is available) be prescribe in regulation to a maximum of 20 years.

Under an ownership scenario, OHBA notes that depending on the structure of ownership and how equity is designed for the owner, a program could have progressive or regressive financial outcomes. The challenge is to avoid windfall profits for the final owner if and when the affordability period concludes. OHBA is supportive of an ownership structure that allows the affordable unit owner to retain and build a *share* of the growth in equity over time, thereby allowing some benefits to owner. This would ideally lead to these individuals being able to move into market housing at some point in the future. However, it is important that a careful balance is struck to maintain affordability over an extended period of time.

The benefits of the gains of a portion of the equity for the unit owners are also related to monthly carrying costs (property taxes / condo fees), which they are spending a portion of their income on. This is why affordable ownership units should only be included in projects that are appropriate for an affordable housing component (i.e. without high property taxes and/or condo fees). Otherwise, an inclusionary zoning framework could inadvertently disadvantage a person/family by placing them in a building in which they can't afford high property taxes and high condo fees.

With respect to provincial direction for the minimum or maximum affordability period, OHBA recommends that the regulation provide flexibility for municipalities to tailor inclusionary zoning by-laws to meet local needs to a maximum of 20 years. However, the regulation should require that measures, incentives and supports be directly correlated to the affordability time period to ensure that the cost of delivering affordability is appropriately shared between partners.

Threshold Size

The Province should recognize that the proportion of affordable housing units in small and mid-sized projects will be economically challenging, as administratively it will be less-than ideal to have very small volumes of government-required affordable inclusionary zoning units scattered among many projects. The provincial regulation should establish a minimum threshold of 100 units for multi-family developments and a density threshold of 25 units per acre for low-rise / grade-related residential developments. Municipalities would, in turn, have the flexibility to establish a higher threshold should they choose to do so.

Measuring and Incentives

OHBA supports a partnership model in which municipalities, the Province and the private sector all have a shared responsibility, with an operating role from the non-profit sector. An inclusionary zoning framework based on a partnership model should be a win-win for all stakeholders while effectively and efficiently delivering affordable units.

In determining the level of assistance through measures and incentives required for both 'affordable rental' and 'affordable ownership' units, the market value of the 'affordable units' would be determined and the difference between market value and affordable value should be offset by municipal and/or provincial financial tools. A July 2016 study, *The Economics of Inclusionary Development* by the Urban Land Institute and the Terwilliger Center for Housing, found that in 500 cities and counties in 27 states that have adopted inclusionary zoning policies, which are commonly referred to by inclusionary zoning advocates, that;

“...most policies provide incentives to encourage developer participation or to offset the impacts of mandatory policies. Common incentives include some combination of direct subsidies, tax abatements, density bonuses and reduced parking requirements.”

Provincial Incentives

- Leveraging existing assets such as surplus lands for off-site units or for pooled resources from cash-in-lieu contributions;
- Low interest loans through organizations such as Infrastructure Ontario;
- Waiving the provincial share of HST;
- Waiving the provincial LTT;
- Providing provincial tax credits.

Municipal Financial & Planning Incentives

- Waive property taxes for the affordability period;
- Waive building permit and other planning related fees;
- Waive development charges;
- Waive parkland dedication requirements;
- Waive parking requirements;
- Waive municipal land transfer tax, where applicable;
- Allocation of capital from the Development Charges Reserve Fund;
- Provision of rental supplement allowances
- Tax Increment Financing (TIF) based model to finance the necessary financial supports.

Tax Increment Financing (TIF)

Tax Increment Financing (TIF) is an established financing tool used to support infrastructure financing in jurisdictions across North America.

With provincial support and guidance, it is a viable option to support the necessary financial supports needed to create government-required affordable units.

The municipal property uplift created by new developments and communities can serve as the necessary financing pool to waive the various municipal fees, charges and taxes listed in this submission.

Provincial Tax Credits

In various Ministry sessions, experienced industry members who are actively building affordable housing in American jurisdictions have identified the federal and state tax credit program that provides the private sector with a viable financing tool they can compete for in their project proposals.

There is an opportunity for the provincial government, and with the support of the new federal government, to establish a similar tax credit pool that will stimulate and encourage developers, both private and not-for-profit.

The pool of provincial tax credits will be a clear signal that the Province is interested in a partnership model. It will also support the municipal decisions regarding the application of inclusionary zoning policies on projects with the necessary financial supports that are the key to the success of inclusionary zoning policies in American jurisdictions.

Density Bonusing

Through the PPS, the Greenbelt, the Growth Plan for the Greater Golden Horseshoe (and proposed amendments to significantly increase density targets), Metrolinx Regional Transportation Plan and numerous other initiatives and policies implemented by the provincial government over the last several years, there are clearly defined goals and objectives related to environmental sustainability, intensification, climate change and expectations for a denser more compact urban form. OHBA recognizes that density bonusing has been advanced as a fair 'trade-off' for the provision of affordable housing units. However, inclusionary zoning policies based on density bonusing would suggest that in order to achieve the desired urban forms and densities outlined by provincial policy, new development should cover the costs of an affordable housing subsidy to 'unlock' the very densities provincial policy is promoting.

Furthermore, rather than encouraging intensification through appropriate as-of-right zoning, OHBA is concerned that inclusionary zoning policies will encourage municipalities to continue to intentionally 'under-zone' lands so as to create restrictions on densities that can only be 'unlocked' in exchange for housing units, land or cash-in-lieu payments. OHBA has very strong reservations that such a density bonusing tool would work at cross purposes with provincial policies for modern zoning standards that encourage compact, complete communities and appropriate intensification.

In cases where the municipal-base zoning is actually at an appropriate level, increasing densities as a bonus for affordable housing units beyond infrastructure capacities is also a cause for concern. Additional density, in some circumstances, may not necessarily be a benefit to the development proponent, municipality or community as it may yield negative external effects. The situation of under-zoning or over-zoning is problematic as municipalities should be zoning for the appropriate density and urban form in the first place, based on sound planning practices and supporting infrastructure. Zoning restrictions should not be utilized as a bargaining tool for municipalities to gain subsidized housing units or cash-in-lieu of housing units.

OHBA notes that density bonusing has been successfully utilized in American jurisdictions such as New York City. However, it is critical for public policy makers to take a deeper dive into *why* density bonusing

has worked in NYC and the significant differences that exist within the land-use planning system for which a density bonus yields significant and very real economic advantages for a development proponent in NYC.

In Manhattan approximately 90 per cent of new developments including residential skyscrapers are built 'as-of-right', meaning rezoning is not necessary since zoning/density permissions more appropriately reflect what can be built. A density bonus in Manhattan therefore carries with it significant economic benefits to build beyond stringent density permissions since re-zonings are rare. This is a vast contrast to the situation in the City of Toronto where virtually every application requires rezoning (due to decades out-of-date zoning by-laws that do not comply with either the Official Plan, nor are they in conformity with provincial policy). To be effective a density bonus has to be just that – an actual bonus over and above what would be permissible.

Requirements and Standards

To implement a local inclusionary zoning framework, municipalities should be required to undergo their own public consultation process with members of the public, ratepayers and stakeholders. A municipality should be required to adopt an Official Plan policy to allow for an inclusionary zoning by-law, and the municipal policy must first be consulted through an Official Plan process. Once the Official Plan policy is approved, inclusionary zoning policies would actually be implemented through new/updated municipal zoning by-laws and require their own public consultation when the by-law is proposed to be amended. Specific minimum requirements and standards regarding the number of bedrooms, size of units, location of units should be left to local municipal discretion with the framework set by provincial legislation and regulation.

Agreements

OHBA notes the proposed legislation allows for registration on title to maintain long-term affordability and agreements as the vehicle to set out the parameters for achieving this. OHBA suggests that the City of Toronto rental replacement policies would be a good proxy with respect to agreements to maintain affordability for the rental tenured inclusionary zoning units.

OHBA recommends that under a partnership framework that the Province should have a role to provide assistance with respect to income testing. OHBA notes that based on the experience of our many non-profit housing provider partners, that agreements for affordable ownership can be challenging and labour intensive. The capacity of the ownership approvals process for qualifying buyers through the sales process is critical. The long-term administration should be addressed by the Province in terms of setting out the parameters of who/what type of organization is qualified to be an administrator.

Lastly, under an ownership tenure in condominium buildings, OHBA notes that maintaining affordability may be a challenge if condo fees are too high to begin with or escalate beyond the rate of inflation. This is one reason why OHBA recommends that Schedule 4 of the proposed Bill 204 be amended to allow for cash-in-lieu or for units off-site, especially in circumstances where a luxury building with expensive on-site amenities is proposed. In a typical mid-range condo, the largest expenses for a condominium corporation

which are shared equitably by owners through condo fees are: utilities, reserve fund payments, on-site cleaning/maintenance staff and on-site concierge/security staff. High-end luxury buildings would have significant additional costs included in the monthly condo fees. It is important that under an inclusionary zoning framework, that when affordable unit buyers are pre-qualified, that there is a recognition that operating costs as reflected in the condo fees may escalate in the future and that affordable unit owners need to have the financial capacity to pay ongoing operational costs.

OHBA does not support long-term cross-subsidization of condo fees between units. It would be unequitable and unfair to expect the owners of market units to subsidize on a monthly basis the utility and building operational costs of their neighbours. Furthermore, Condo Board governance would be complicated by cross subsidization between units and limit the ability of boards to manage and respond to longer-term financial/capital needs of the condominium corporation.

OHBA is supportive of allowing for flexibility to have separate condominium corporations within a building to allow for flexibility for the affordable units to have separate amenities and services to reduce ongoing operational costs and thus have lower monthly condo fees. Shared facility agreements would have to be struck between condo corporations for some shared building mechanical system costs, however such a model could provide flexibility to limit fee increases and keep operational costs more affordable for the affordable units. To put it in simple terms – if a person can't move in and cover the operational costs, maybe it isn't the right building for them to be in in the first place.

Administration, Monitoring and Reporting

It is important that any inclusionary zoning framework require municipalities who pass an inclusionary zoning by-law to establish a procedure for monitoring the affordable housing units and ensuring affordability over the defined control period. OHBA supports a minimum threshold of 100 units to qualify for inclusionary zoning, as we are concerned that the administrative obligations for municipalities or non-profit service providers to look after small groups of units scattered around many buildings will be administratively complex and expensive. The issue comes down to building the units once, but managing them forever (or through the control period). OHBA supports allowing local flexibility in terms of administering units, monitoring units, reporting on units and ensuring affordability over the control period (with a requirement that measures, incentives, offsets and/or supports be appropriately tied to the control period).

Use with Section 37

Under Schedule 4 of the proposed Bill 204, which amends the *Planning Act*, a municipality that passes an inclusionary zoning by-law, is prohibited from passing a by-law described in section 37 with respect to the same lands, buildings or structures, except as may be permitted by regulation.

OHBA is supportive of having the developer's obligation to deliver the 'affordable housing' component be secured under Section 37, as well as the municipalities obligation to provide the assistance required to

achieve affordability. OHBA does not support utilizing Section 37 for a municipality to secure any additional obligations over and above the affordable inclusionary zoning units.

Transitional Matters

The provincial regulation should establish an effective transition date for complete applications filed after January 1, 2018. This will provide a one-year period for municipalities to consult and adopt local inclusionary zoning by-laws and ensure that applications in process are not adversely impacted by an evolving regulatory landscape. Furthermore, should a municipality adopt an inclusionary zoning by-law after this date, the transition date for complete applications should be the date in which the by-law is adopted.

Other Industry Observations and Considerations

Broad Declines in Affordability:

Housing affordability has continued to deteriorate over the past several years since the original Long-Term Affordable Housing Strategy was released. A January 2015 TD Economics Report (*GTA Housing Boom Masks Growing Structural Challenges*) noted that while the affordability challenge has traditionally been concentrated among low-income residents within the rental market, the problem of affordability has spilled over to residents in higher income levels and those in home ownership. This report also indicated that, “higher land costs and restrictive government regulations that have stretched out development project time lines to as much as seven years have made it increasingly difficult to supply housing at an affordable cost across the GTA. What’s more, rising costs have been instrumental in driving up average debt-loads in the region, leaving households vulnerable to any unanticipated negative economic shock.”

This does not need to be the norm, as the government, non-profit sector and private sector can work together to act and make positive changes. Inclusionary zoning is only one tool to assist with the affordability challenge, it is therefore critical that the Province consider the volume of government imposed charges, the lengthy planning and regulatory process and the constraints to housing supply to address deteriorating affordability.

Off-site:

OHBA is very concerned that through the proposed *Promoting Affordable Housing Act, 2016* (Bill 204), if passed, Schedule 4, which amends the *Planning Act* would not authorize municipalities to allow units to be built on off-site lands. While the Province has stated its primary goal will be to integrate affordable housing units into each new project. It should be recognized that a ‘one size fits all’ approach won’t always work. As such, one alternative will be to deliver the affordable density in another project within the same ward.

OHBA recognizes why the Province is (and should be) cautious of such an approach since the overarching goal is to be inclusive of a variety of socio-economic backgrounds. OHBA does however note that there are

circumstances in which affordable inclusionary zoning units may not be appropriate in a given development and place the homeowners that qualify to live in a given development at an economic disadvantage.

Cash-in-Lieu:

OHBA is very concerned that through the proposed *Promoting Affordable Housing Act, 2016* (Bill 204), if passed, Schedule 4, which amends the *Planning Act* would not authorize municipalities to accept cash-in-lieu of inclusionary zoning units. OHBA recommends that the legislation be amended to permit the payment of funds to municipalities in lieu of the provision of affordable housing units provided that these funds are utilized towards the provision of affordable housing within the same ward of that municipality or that the funds support municipal financial incentives within the inclusionary zoning framework.

OHBA would support the conversion of the 'affordable housing' requirement to a 'cash in lieu' contribution that will enable a pooling of funds to achieve deeper levels of affordability on other sites, including government owned sites declared surplus by municipal, provincial or federal governments. Offsite or cash-in-lieu also provide opportunities for non-profit housing providers who have expertise in affordable housing to ramp up the delivery of units.

OHBA notes that similar to the reasons outlined in the previous section regarding off-site units, that there are projects and situations in which it does not make sense to provide affordable units on site and that the legislation should be more flexible to construct units off-site of to provide cash-in-lieu of affordable units.

Provincial and Municipal Government Leadership:

OHBA notes that the approach to require government mandated affordable units is downloading responsibilities onto the private sector given the number of provincially led, by the Province itself or its various agencies, boards and commissions as well as municipal corporation led developments over the past several years that have sought to maximize economic returns without requiring the provision of affordable housing. The province must set a better example.

In the last couple of years, Metrolinx has issued several RFPs for mixed-use development on provincially owned lands around transit stations on both GO lines and the Eglinton Crosstown, which would have been ideal locations for affordable housing, yet the RFPs contained no such requirements. In 2013, Infrastructure Ontario maximized provincial returns by selling 11 Wellesley East, a downtown Toronto site well serviced by transit, for \$65 million. Despite provincial control of the site in a central location, the sale did not include any affordable housing requirements. In the riding directly adjacent to former Minister McMeekin, the City of Hamilton has an ambitious plan to redevelop Piers 7 and 8 on the West Harbour with 1,600 units, yet none are planned as affordable housing. These are but a few of the hundreds of examples of redevelopment opportunities on government-owned lands that have not leveraged or required affordable housing. The Province and municipalities should demonstrate stronger leadership by constructing affordable housing on lands and project that they have ownership control over.

Conclusion

The Ontario Home Builders' Association shares the Province's goals regarding providing safe, healthy and affordable housing for all Ontario residents. As former Minister McMeekin noted at the Minister's Forum for Affordable Housing and the Private Sector in November 2014, "decent housing is more than shelter, it provides stability security and dignity. It plays a key role in reducing poverty and building strong communities." We couldn't say it better ourselves and we share in the goal to create the conditions through partnerships to enhance affordability while encouraging a greater diversity of housing choices across Ontario.

The residential construction industry is a crucial private sector partner in the delivery of affordable housing. Our members under an inclusionary zoning framework will be responsible for the construction and delivery of affordable housing projects and through a partnership model, we expect the Province through new regulations to require municipalities to provide measures, incentives, offsets and supports to cover the additional costs incurred to deliver affordable units.

OHBA is concerned that despite former Minister McMeekin's clear language with respect to partnerships, that the proposed legislation itself only articulates one partner (the development industry) that is chipping in to cover the costs of delivering affordable housing through inclusionary zoning.

The proposed legislation does not (other than Section 37) define how either the provincial government or municipal governments will contribute to sharing the costs and what obligations they will have under a partnership model. OHBA strongly recommends that the regulations under Schedule 4 of the proposed legislation establish a clearly defined quid pro quo in which the development industry will provide affordable units in privately built projects in exchange for measures, incentives and offsets from our municipal and provincial partners.

To be clear, without a partnership model and without the necessary and appropriate planning and financial supports, the application of inclusionary zoning becomes a developer obligation that is carried onto the back of the other purchasers in the project. This sort of application creates the "free housing" scenario that the vast majority of the participants in the Ministry session have clearly expressed as a myth, as we have all come to recognize that these "free units" are actually going to be paid for by other new homebuyers or renters.

In jurisdictions where inclusionary zoning policies have been implemented, such as those in the United States, they are most effective in high growth areas with measures, incentives and supports that ensure feasibility and share the costs through a partnership framework. As stated earlier, in the July 2016 study, *The Economics of Inclusionary Development* by the Urban Land Institute and the Terwilliger Center:

"In most cases, jurisdictions will need to provide development incentives to ensure the feasibility of development projects affected by an inclusionary zoning policy. The principal incentives are direct subsidies, density bonuses, tax abatements, and reduced parking requirements. Individually and in combination these incentives can substantially enhance the feasibility of development projects affected by an IZ policy."



OHBA believes that a partnership model will only emerge with the Province establishing a strong and clear regulatory framework that allows for some municipal flexibility to tailor the program to suit local needs.

More broadly speaking, our industry's role in delivering market housing that is affordable for most households is becoming increasingly difficult due to barriers in housing supply, approvals process, increased regulations and taxes, fees and charges. We are supportive of a broad Long-Term Affordable Housing Strategy that reduces barriers to new housing supply, includes a portable housing allowance program, permits as-of-right secondary suites and targets strategic investments to rehabilitate existing social housing stock and unlock the potential to build new affordable housing.

OHBA has consistently opposed inclusionary zoning, but we are prepared to work with government to construct and deliver affordable housing units through a partnership framework with the Province, municipal governments and the non-profit sector.



Ontario
Home Builders'
Association



BILD
BUILDING A GREATER GTA | Building Industry and Land
Development Association

A Partnership for Affordable Housing

Principles for Creating Legislation to Permit Inclusionary Zoning

Statement of Intent

The Development Industry understands the need to address declining housing affordability within the City of Toronto, and other parts of our Province. The health, prosperity and quality of life in our cities, and the continued strength of the real estate market depend on access to quality housing for households at all income levels.

We agree that access to housing is part of a healthy and civil society and that public bodies, the non-profit sector and the development industry each have a role to play to improve access to housing. We believe that a partnership model is the most effective way to make a significant impact, and essential for seeing success with this initiative.

Within a 'partnership' framework the private sector accepts responsibility to make affordable housing available within new buildings on the principle that the assistance required to achieve affordability remains the responsibility of the public sector.

In accepting responsibility to 'include' affordable housing in new developments, it remains the responsibility of the private sector to:

1. make such units available in its projects as may be required by the by-law;
2. absorb short term administration costs relating to delivery of the affordable units through development applications, permit applications, etc;
3. absorb or share costs with non-profit housing providers relating to long term administration of the affordable units, and;
4. invest equity and incur financing costs to secure construction financing for the 'affordable units'.

General Parameters of Legislation:

- Effective Date: Applications filed after January 1st, 2018.
- Triggers:
 - There will be NO requirement for affordable housing on sites where incremental density results in a project below a unit threshold of 100 units for multi-family/apartment developments and/or a density threshold of 25 upa for low rise/grade related residential developments

- Multi-family/apartment: Percentage Required - Up to 10% of the incremental density over 'as of right' zoning.
- Low rise/grade related: Percentage of Units of a project that may be required to be affordable - Up to 5%
- On Site/Off Site: A primary goal will be to integrate affordable housing units into each new project. However, it is recognized that a 'one size fits all' approach won't work. As such, one alternative will be to deliver the affordable density in another project within the same ward.
- Another option, at the election of the builder, subject to agreement by the municipality, will be to convert the 'affordable housing' requirement to a 'cash in lieu' contribution that will enable a pooling of funds to achieve deeper levels of affordability on other sites, including sites declared surplus by municipal, provincial or federal governments.
- The 'affordable housing' component can be delivered in either rental or ownership form, with tenure determined by the developer.
- The developer's obligation to deliver the 'affordable housing' component will be secured under Section 37, as will the City's obligation to provide the assistance required to achieve affordability. Overall Section 37 obligations will be determined between the City and developer on a case by case basis, as is the current practice.
- In determining the level of assistance required for both 'affordable rental' and 'affordable ownership' units, the market value of the 'affordable units' will be determined and the difference between market value and affordable value will be offset by one or more financial tools, inclusive of the following:
 - ✓ waiver or deferral of property taxes for the affordability period
 - ✓ waiver of building permit and other planning related fees
 - ✓ waiver of development charges
 - ✓ waiver of parkland dedication requirements
 - ✓ waiver of parking requirements
 - ✓ allocation of capital from the Development Charges Reserve Fund
 - ✓ provision of rent supplement allowances
 - ✓ allocation of Section 37 funds generated by the project.

General Principles:

- a municipality shall adopt an Official Plan policy to allow for an inclusionary zoning by-law, and the municipal policy must be consulted through an OP process
- inclusionary zoning policies should be implemented through new/updated municipal zoning by-laws
- link transportation investments with land-use planning including pre-zoning along transit corridors

- contribution from all levels of government to also include leveraging existing assets
- province to exhibit commitment to this partnership by waiving the provincial share of HST and LTT
- province to further expand their commitment to ending chronic homelessness, building supportive housing, embracing a 'Housing First' policy on surplus provincial lands, making strategic investments to fix existing housing stock and strongly encouraging the federal government to do the same

Statement of Intent Endorsed By:

Mr. John Meinen
OHBA President, Pinnacle Custom Homes

Mr. Steve Deveaux
BILD Chair, Tribute Communities

Mr. Ben Rogowski
 Executive Vice-President, **Canderel Group of Companies**

Mr. Sam Crignano
 President, **Cityzen Development Group**

Mr. Andrew Gray
 VP Eastern Region, **Concert Properties Ltd.**

Mr. Mitchell Cohen
 President, **The Daniels Corporation**

Mr. Stephen Diamond
 President & CEO, **Diamond Corp**

Mr. John M. Koke
 Vice President, **Genstar Development Company**

Mr. Alan Vihant
 VP Development, **Great Gulf Homes**

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Mr. Alan Menkes
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Mr. Vince Santino
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Mr. Rashmi Nathwani
President, **Namara Developments Ltd.**

Mr. Scott McLellan
Senior VP, **Plazacorp Investments Ltd.**

Mr. Joe Valela
President, **Tercot Development Group**

Mr. Leo DelZotto
President, **Tridel Group of Companies**

Mr. Gary Bensky
President, **Wycliffe Homes**

Building Affordable Housing in the GTA

The Builder / Developer Perspective

Summary of the Building Industry and Land Development Association (BILD) Roundtable with Industry, Government and Non-Government Sector Experts



BILD[®]

Acknowledgements

BILD is grateful to the more than 60 participants, including representatives from the industry and not-for-profit sector and our government colleagues, who attended the roundtable. We sincerely thank each of them for sharing their experiences and ideas and for generously giving us a half a day of their time. Special thanks go to keynote speaker Tom Bledsoe, President and CEO of U.S.-based Housing Partnership Network, for setting the stage for a lively, thoughtful and forward-looking discussion. We would like to show our appreciation to Eve Underwood, Jo Flatt, Michelle German and Adaoma Patterson for their great job facilitating table discussions, and to Linda Weichel at CivicAction for assisting us in finding facilitators.



Daniels Spectrum, Toronto, Ontario
June 24, 2016



THE ROUNDTABLE BROUGHT TOGETHER MORE THAN 60 EXPERTS TO FIND SOLUTIONS TO THE SHARED CHALLENGE OF AFFORDABLE HOUSING IN THE GTA.



RISING TO THE CHALLENGE: TRANSLATING TALK INTO ACTION ON AFFORDABLE HOUSING

NOW IS THE TIME FOR ACTION ON AFFORDABLE HOUSING, AND IT STARTS WITH COLLABORATION AND PARTNERSHIPS

BILD Chair, **Steve Deveaux**, opened the roundtable and said the shortage of affordable housing has become a pressing issue in the GTA and one that all governments are actively working on. The home building and development industry is committed to being part of the solution, but he cautioned, the industry cannot solve the

affordable housing problem alone; government leadership and partnerships are key.

Building on the partnership and collaboration theme, Deveaux introduced the event's keynote speaker, **Tom Bledsoe**, President and CEO of the U.S.-based **Housing Partnership Network**. His organization is comprised of 100 of the leading not-for-profit affordable housing developers, lenders and owners in the United States who, combined, developed or



maintained nearly 370,000 affordable homes representing a \$1-billion community investment. His key message was to pursue and strengthen partnerships among for-profit and not-for-profit developers, and levels of government. “Do not be in competition with each other,” he said. In his experience, affordable housing gets built when there are mutual wins for the development sector, government and those needing affordable homes.

THE ROUNDTABLE DISCUSSION WAS POSITIVE AND ACTION-ORIENTED, AND POINTED TO THE POLICY, FINANCE AND IMPLEMENTATION APPROACHES NEEDED TO GET AFFORDABLE HOUSING BUILT

Following the informative and thought-provoking keynote, participants broke off into small groups to discuss in detail specific issues and priorities related to policy, finance and implementation aspects of providing affordable housing. Led by a facilitator, each group spent 30 minutes on each theme and then reported its top points to the larger group. The smaller discussions created an effective dynamic, where the complexity and range of the participants’ perspectives and experiences generated an abundance of issues and solutions in each theme.

The key points emerging from the group discussions included, that:

- Policies should be outcome-focused, and include clear housing targets with a “basket of tools” to achieve them.
- Governments must have “skin in the game”, including direct investment and other incentives to support for-profit and not-for-profit projects.
- New and stable sources of capital are required to start up and sustain projects, including an “equity pool”.

- Inclusionary zoning should be just one of many tools available, and should not be mandatory.
- Political leadership and public awareness are essential for creating a “cultural shift” to counteract NIMBYism against affordable housing.

What follows in this report is a more in-depth summary of what was shared, and considered to be important steps forward, by the roundtable participants.

MOVING FORWARD: “WE ARE ALL IN THIS TOGETHER”

BILD President and CEO, **Bryan Tuckey**, concluded the event and reiterated the partnership theme. “We are all in this together” and federal, provincial and municipal governments must be active partners with the industry, to provide financial leverage and certainty, he said.

Incentives come down to making the numbers work on a financial basis, he added. “Figure out the numbers, and they need to come to a plus.”

Affordable housing is a growing problem in the Greater Toronto Area (GTA) that must be talked about, and acted on, collaboratively and constructively in order to bring about lasting solutions.



KEYNOTE ADDRESS

Building Affordable Housing: An International Perspective

TOM BLEDSOE, PRESIDENT & CEO, PARTNERSHIP NETWORK

The event opened with a keynote address by **Tom Bledsoe**, chief executive officer of the U.S.-Based **Housing Partnership Network**. He spoke to the American and other international experience in building affordable housing, and where and how the development industry has been successfully engaged. Highlights from the presentation included:

ABOUT THE HOUSING PARTNERSHIP NETWORK (HPN)...

- A peer-to-peer entrepreneurial non-profit organization comprised of 100 of the leading not-for-profit affordable housing developers, lenders and owners in the United States.
- Its members have, collectively, developed or maintained nearly 375,000 affordable homes for nearly 10-million people, representing over \$1-billion USD in community investment.
- Members develop both affordable rental and ownership housing.
- The HPN is a “sister organization” to Housing Partnership Canada, under the International Housing Partnership umbrella.

ON THE STATE OF AFFORDABLE HOUSING OUTSIDE OF CANADA....

- “A nationwide affordability crisis”: 1 in 6 of U.S. households spend 50 per cent or more of their income on housing, and 1 in 3 spend 30 per cent or more.
- Like in Canada’s major cities, housing is very expensive in the U.S. and is becoming even less affordable. In response, a “partnership approach” and “negotiated arrangements” are successfully taking hold between governments and the development sector, to build more housing.
- San Francisco is the most expensive market, where an average rent for a 2-bedroom apartment is \$4,650 USD (\$1,000 more than in New York City, which is the second most expensive U.S. market).
- The price of housing in London, U.K. has increased four-fold in the last 20 years.

WHAT IS BEING DONE ABOUT IT....

- Voters in San Francisco recently approved a ballot measure to require that 25 per cent of all new housing units be affordable.

Building Affordable Housing: An International Perspective

Tom Bledsoe
President and CEO, Housing
Partnership Network

June 24, 2016



- London, U.K. has the goal to create 50,000 new housing units in the next decade, of which 25,000 will be affordable.
- The New York City Mayor has a plan to build 200,000 affordable units in the next decade.
- Seattle has adopted the “Housing Affordability and Livability Agenda”, which includes the creation of 20,000 affordable units in the next decade.
- Inclusionary zoning is widely used as a tool to secure affordable housing.
- A voter-approved housing bond is another tool, and is widely and often used within California to raise capital for affordable housing projects. Once established, for-profit and not-for-profit developers compete for these bonds to build affordable housing units that meet specified criteria.

PERSPECTIVES ON INCLUSIONARY ZONING....

- Works best in a partnership environment, so that everyone gains: developers recover their investment; municipalities achieve housing goals; and lower income residents find adequate affordable homes.
- There need to be adequate opportunities to up-zone properties (i.e. achieve additional height and/or density).
- It is preferable to provide affordable units within market developments – to provide them where they are needed. If that is not a viable option for a particular project, then cash-in-lieu can be pursued.

OBSERVATIONS AND ADVICE FOR CANADA AND THE GTA....

- “Things are starting to align at the federal, provincial and municipal levels.” Now is the time to leverage the robust housing market to deliver affordable housing.
- It is more of a challenge in Canada for not-for-profit developers to raise capital, compared to the U.S.
- It is important to explore and strengthen partnerships among for-profit and not-for-profit developers, and levels of government – to not be in competition with each other.

WHAT WAS HEARD AT THE ROUNDTABLE DISCUSSIONS, AND EMERGING PRIORITIES

The small group discussions revolved around three factors that have a significant impact on the ability of the industry, both for-profit and not-for-profit developers, to provide affordable housing:

- 1) Policy
- 2) Finance
- 3) Implementation

The group facilitators asked a series of common questions, to focus the discussion under each theme.



Roundtable discussion participants and presenters.



Policy

The policy discussion covered a range of government policy including Ontario's proposed Promoting Affordable Housing Act, 2016 (Bill 204), which would enable municipalities to enact "inclusionary zoning", and municipal official plans and development approval frameworks. There were also suggestions for what the role of the Federal government could and should be, in anticipation a national housing policy or strategy. The discussion was framed around the following questions:

- What policies have worked in the past?
- What policies would encourage the industry to build more rental housing?
- What policies would encourage the industry to build more affordable ownership housing?
- What has worked locally?
- Are there policies/programs that work elsewhere that should be explored?
- What are the challenges with current or proposed policies?
- Where it works, what does inclusionary zoning look like?
- What other policy supports are needed to enable the development of affordable housing?

THE TOP PRIORITIES, RELATED TO POLICY, RECOMMENDED BY PARTICIPANTS:

- Policies should "set the tone" or the "conditions" for providing affordable housing, including **specific and measurable goals and outcomes** that specify how many affordable units will be created and the investment level required to achieve them.
- Rather than prescribing the use of specific tools, such as inclusionary zoning, policies should instead **establish a "basket of tools"** that could be used by municipalities, to best reflect local conditions and opportunities.
- "Affordability" needs to be more **fully defined**, to acknowledge regional differences in price, and to also identify more "depth" to various **levels of affordability**.

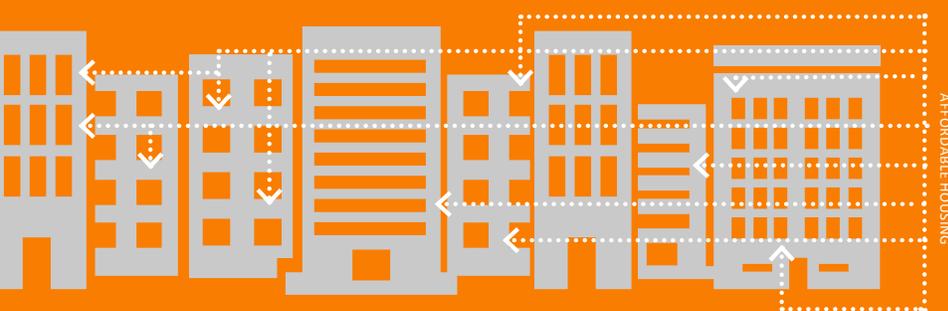
Inclusionary Zoning:

There was wide-ranging and in-depth discussion about inclusionary zoning throughout the roundtable, and especially the policy discussion. Inclusionary zoning is a planning tool widely used across the United States and other countries including the United Kingdom, that allows municipalities to require a specified number of affordable units to be provided within some or all proposed developments, as a condition of zoning approval. In most cases, such approval is required to “up-zone” a property to permit additional height and/or density.

In the GTA context, inclusionary zoning is currently not a tool available to municipalities. They currently rely on “development bonus” provisions under Section 37 of Planning Act and other negotiated arrangements to secure affordable housing that would otherwise not be provided, through the development approvals process. However, recent proposed changes to the Planning Act and other Provincial legislation under Bill 204 (Promoting Affordable Housing Act, 2016) would allow municipalities to enact inclusionary zoning provisions within by-laws, provided there are enabling policies added to the official plan.

The roundtable participants expressed general support for the addition of the tool, but there was concern about inclusionary zoning being the sole vehicle to provide affordable housing in the absence of additional sources of funding and support from the Province, and other levels of government. Other comments expressed include, that inclusionary zoning:

- Could be seen as a downloading of responsibilities from the Province to municipalities and to the development industry (both for-profit and not-for-profit sectors).
- Will likely increase the cost of market housing units within a project, without financial incentives (e.g. waived or reduced charges) to offset costs.
- Must be accompanied by adequate up-zoning of properties by municipalities, especially within the City of Toronto.
- Needs to be coordinated with existing Section 37 requirements to prevent “double dipping.”
- Should be tested through an area-specific pilot project.
- Include a mechanism that determines how and where cash-in-lieu contributions will be used to provide affordable housing.
- Should not be mandatory.



A planning tool widely used in:



UNITED STATES OF AMERICA



UNITED KINGDOM

The policy discussion covered a range of perspectives, which included that policies should: set the tone for government leadership; place a greater focus on outcomes, and; leave the details to municipalities. Other key messages heard about housing policy were, that:

- The current policy framework is limited to defining and monitoring the problem, instead of creating the conditions for change. Policies should help create a climate of change to support affordable housing.
- Affordable housing policies must be linked with other policies, especially those for intensification, employment and economic development.
- The larger aim of policies should be to break the cycle of poverty – providing more rental housing, alone, does not do this.
- The most detailed and prescriptive policies should be reserved for municipal official plans, and related documents and processes: keep the details at the local level.
- A GTA-specific housing policy is preferable to a province-wide approach. Province-wide policies for affordable housing are problematic, since they do not recognize or accommodate important regional differences including price, predominant housing trends and rates of growth.
- The forthcoming Federal housing policy or strategy should clearly define what “affordable housing” is, who it is for, specific housing targets, the financial and other incentives to be offered, and a very clear role for the Canadian Mortgage and Housing Corporation (CMHC).
- Different levels of “affordable” should be defined, based on different types of tenure, unit types, and geographic location.
- Language around “stable neighbourhoods”, currently within many GTA planning policies, should change to be more inclusive and to establish more appropriate expectations about vibrant neighbourhoods.
- Real-time market information, including price points, should be more fully integrated into the policy formulation and monitoring process. It is important to create and maintain “feedback loops” that connect policy and implementation.
- Monitoring should also include home-purchaser information, including whether or not they are an investor or end-user.



Finance

The finance discussions had a common, overwhelming theme: if the numbers don't work, affordable housing simply will not be built. Participants discussed a wide range of specific financial factors and tools including access to capital, taxes, fees, charges, and other tools such as grants and rebates.

The discussion was framed around the following questions:

- What financial incentives are needed to encourage builders to develop more affordable rental housing?
- What financial incentives are needed to encourage builders to develop more affordable ownership housing?
- What are the financial challenges to building affordable housing?
- What are some examples of existing or previous financial programs that have worked?

THE TOP PRIORITIES, RELATED TO FINANCE, RECOMMENDED BY PARTICIPANTS:

- Direct investment in affordable housing projects is critical. For example, government should establish an “**equity pool**” for the financing of new affordable housing projects, whereby **start-up capital** is provided for a specific project and then re-paid to the pool after completion.
- The non-profit housing sector needs to be better capitalized and supported within Canada, through a combination of **direct investment** and **partnership arrangements** with government and developers.
- **Affordable ownership** housing must also be considered, in addition to rental. However, affordable ownership does present challenges since the asset and equity would be transferred to an individual (e.g. need mechanism to capture and re-distribute value, similar to the “Options for Homes” model).

The finance discussion covered a wide range of issues and approaches, that reflected the participants' diversity of expertise and experience. A strong message heard was that greater access to capital – money to invest in new housing projects – is essential, in combination with financial incentives to minimize risk and maximize reward. Other messages heard about financing affordable housing were, that:

- More research and testing should be undertaken regarding partnership arrangements – financial and otherwise – to more fully support affordable housing projects, and emerging investors (e.g. for-profit and non-profit developers). This includes increasing for-profit developers' knowledge of working with not-for-profit developers.
 - Government-backed bonds and tax incentives are important for leveraging private capital and innovation. Pension funds and real estate investment trusts (REITs) should also be explored.
 - Banks and pension fund managers need to be brought to the table, and become part of the solution.
 - Government bodies, such as Infrastructure Ontario or Build Toronto, should become more enabling of affordable housing through a combination of land grants/sales and financial tools.
 - New financial incentives and tools should be tested through pilot projects. It is important to experiment to see what could be most effective. Governments have lead role in this.
 - The financial limits of high-need residents should be more directly reflected in price thresholds. For example, if a household has only \$400 to spend on housing per month, how can a home be provided for that amount?
- Development charges should not be flat for each type of residential unit (e.g. apartment), but be based location, size and price in order to create an incentive for affordable rental and ownership housing.
 - In addition to investing in or subsidizing projects, government should also consider providing “affordable housing allowances” or equivalent grants (e.g. for down-payment or monthly rent) directly to residents with low incomes and/or special needs.
 - Reduced, deferred or waived development charges and/or application fees are helpful, and should be more broadly applied to affordable housing projects.
 - The GTA experienced a boom in purpose-built apartment buildings in the 1960s and 1970s, attributed largely to special tax provisions that made it profitable. Such provisions should be re-visited to see if they could be effective in today's market.



Implementation

The implementation discussion was, literally and figuratively, about opening doors to affordable housing. As shared by the participants, important attributes of successful implementation include innovation, flexibility, partnerships, education, engagement and leadership. The discussion was framed around the following questions:

- How do we deal with long-term affordability?
- What is required for managing and supporting new affordable rental housing?
- How can we increase builder awareness and uptake of affordable housing programs?
- What supports are required to overcome the NIMBYism that usually surrounds affordable housing?
- What role should government play?

THE TOP PRIORITIES, RELATED TO IMPLEMENTATION, RECOMMENDED BY PARTICIPANTS:

- Affordable housing needs to be approached through a “**partnership lens**” involving federal, provincial and municipal government levels, and for-profit and not-for-profit developers. In particular, all three levels of **government must have “skin in the game”** (e.g. investment and/or incentives, staff resources, pilot projects, etc.)
- Municipalities should appoint an in-house “**Development Sherpa**” or other facilitator to shepherd affordable and rental housing projects through the development approvals process.
- More focus on **public education** is needed to counteract neighbourhood opposition – NIMBYism – to affordable housing. Opposition to affordable housing should be recognized as a form of discrimination.

The implementation discussion covered a range of perspectives, and perhaps heard the loudest was that leadership and flexibility are required to foster a climate of innovation and action. Other messages heard about affordable housing implementation were, that:

- Current frameworks (e.g. financing, approvals) are too risk-averse. Experimentation should be encouraged and supported to spur more supply and innovation.
- A “cultural shift” is required for affordable housing, including better public understanding (i.e. unbiased) and education (i.e. facts), and political leadership (i.e. do the right thing). Everyone must “own” the issue.
- Municipalities should establish an “affordable housing task-force” or equivalent leadership body to create a climate for better awareness, partnerships and innovation.
- Predictability of costs and approval timeframes must be built into the implementation framework, to provide certainty to developers and other investors from the very beginning.
- Development approval timeframes should be streamlined and should, ideally, be no more than 6-months.
- The relationship between developer and property manager should be more fully understood and explored, to identify ways to optimize current and prospective roles.
- Pilot projects should be more actively and frequently pursued, between government and industry.

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