

City of Mississauga
Corporate Report



Date: 6/10/2019

To: Chair and Members of Council

From: Andrew Whittlemore, M.U.R.P., Commissioner of
 Planning and Building

Originator's files:
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Meeting date:
 7/3/2019

Subject

RECOMMENDATION REPORT (All Wards)

Community Improvement Plan for Affordable Rental Housing

Recommendation

1. That staff bring forward a by-law to designate the entire City as a Community Improvement Project Area for the purposes of affordable rental housing.
2. That staff prepare a Community Improvement Plan for Affordable Rental Housing, including an analysis of incentive options.
3. That staff carry out public consultation to obtain community and industry feedback on the proposed Community Improvement Plan, including holding a statutory public meeting.

Report Highlights

- Housing affordability is a major issue for low and middle income households in Mississauga. Of particular concern is the lack of supply of affordable rental units, which has not kept up with demand;
- A Community Improvement Plan for Affordable Rental Housing can be used to incentivize the development of new affordable rental units;
- Background research and analysis and stakeholder consultation is required to determine the most effective incentive package that will form the basis of the Community Improvement Plan.

Background

The need for housing that is affordable to low and moderate income households is a pressing issue in the city. Without affordable places to live, Mississauga will face challenges attracting a diverse labour force, achieving economic growth, and offering a vibrant community for residents of all income categories.

Housing affordability is an issue for almost 1 in 3 households in Mississauga. Renters are facing greater affordability issues than owner households. As of 2016, 42% of renters were

facing affordability issues. Among renters with affordability issues, 20% were in deep housing need and 12% were in severe housing need.

A major consideration in the rental housing market is the lack of supply of purpose-built rental units (i.e. new and existing units). In recent years, the rental vacancy rate has experienced a downward trend. The current primary rental vacancy rate in Mississauga is 0.8%, indicating that supply has not kept up with demand.

To achieve a healthy vacancy rate of 3.0%, over 900 additional "vacant" units need to be available in Mississauga. In the past 30 years, only approximately 2,300 units have been added to the purpose-built rental inventory, whereas approximately 118,500 units have been added to the ownership or secondary rental market. While there have been development applications for purpose-built rental buildings in recent years, rents are coming in above 1.5 times average market rent (AMR), which puts these units out of the affordability range for Mississauga's lower income earners.

Housing Strategy and Action Plan

Through the approval of the City's Housing Strategy, Council authorized the Action Plan, which identified the utilization of various tools to achieve greater housing affordability. City efforts to date have largely focused on preserving the existing stock of affordable rental housing through the recent introduction of Demolition Control and Rental Protection By-laws (Actions 12 and 13). During the consideration of housing strategy and development charges items, Council requested staff report back on available planning and financial tools which could support the construction of affordable housing units. Staff responded that a community improvement plan (CIP) is the best mechanism to analyse incentives. This approach aligns to Actions 10 and 17 in the Housing Strategy that speak to the establishment of a CIP containing appropriate financial and non-financial incentive programs.

Comments

A CIP is a tool under Section 28 of the *Planning Act* that enables municipalities to develop a plan to address social, economic, and environmental issues and priorities. It can apply city-wide or on an areas-specific basis. Specifically, a CIP enables municipalities to provide incentives to encourage and direct development without contravening the *Municipal Act's* bonusing rules.

Staff are recommending that a CIP focus on financial and non-financial incentive tools to encourage developers to build new affordable purpose-built rental units. Other forms of development (i.e. condominium development or market purpose-built rental development) are more financially attractive and viable. A key factor leading to far more condominium developments relative to purpose-built rental developments is that condominium developers are able to immediately generate revenue through sales prior to construction, rather than over a protracted period. Presently, the break-even rents to make a project viable for a developer are not affordable for many middle income households.

While incentives have an impact on City revenue, they are premised on the "but for" argument: but for the provision of incentives, the type of development desired would not likely have occurred. A CIP can enable the City to incentivize the units that the market is currently not producing – affordable, purpose-built rental units that are deeply needed.

In contrast to case-by-case tax or fee exemptions, a CIP is a better approach to encouraging development because it rolls multiple incentives into one instrument. A CIP can be amended

and updated, and can incorporate funding or unit caps. A CIP is also an attractive option in terms of public transparency and promotion / marketing of available programming.

How Could the CIP be Crafted?

Location

A city-wide CIP is suggested for affordable rental units because these units are not currently being built by the market anywhere in the city, with the exception of developments supported by the Region and other orders of government.

Unit Type

Staff recommend that the CIP consider all unit types. The provincial and local policy framework calls for a range and mix of housing unit types. The need for both small and large affordable rental units is further substantiated by the Region of Peel's data, which indicates that there is a lack of affordable housing across all unit types. Since larger units are more costly to build, they typically benefit from greater incentives.

Targeted Income

It is proposed that financial incentives be considered for units at the lower income end of missing middle households (e.g. up to 1.25 times AMR). Non-financial incentives could apply to a greater range of units (e.g. up to 1.5 times AMR). Table 1 illustrates incomes required to afford rents at AMR, 1.25 times AMR, and 1.5 times AMR. Appropriate thresholds will be further studied as part of the CIP.

Table 1 – Mississauga Average Market Rent by Unit Type (October 2018)* and Incomes Required to be Considered Affordable

| Unit Type | Average Market Rent (AMR) | Household Income Required at 30% | 1.25 x AMR | Household Income Required at 30% | 1.5 x AMR | Household Income Required at 30% |
|----------------------------|---------------------------|----------------------------------|------------|----------------------------------|-----------|----------------------------------|
| Bachelor | \$922 | \$37,000 | \$1,153 | \$46,000 | \$1,383 | \$55,000 |
| 1 Bedroom | \$1,233 | \$49,000 | \$1,541 | \$62,000 | \$1,850 | \$74,000 |
| 2 Bedroom | \$1,396 | \$56,000 | \$1,745 | \$70,000 | \$2,094 | \$84,000 |
| 3+ Bedroom | \$1,563 | \$63,000 | \$1,954 | \$78,000 | \$2,345 | \$94,000 |
| Average (all units) | \$1,363 | \$55,000 | \$1,704 | \$68,000 | \$2,045 | \$82,000 |

*Source: CMHC Rental Market Survey, October 2018

Possible Incentives

Available incentive tools that are typically utilized by other municipalities include development charge (DC) deferrals / grants, planning application and building permit fee relief, parkland dedication exemptions, parking reductions, direct grants, fast-tracking applications and property tax increment equivalency grants (TIEGs). A TIEG provides grants or rebates to property owners to offset a portion of the property tax increase the owner will pay as a result of redevelopment.

A City incentive package may be able to reduce rents up to approximately 10%, which includes significant property tax grants. Regional participation could essentially double the maximum financial impact of the program (combined 20% of rents). A key consideration in the preparation of the CIP will be to examine the affordability gains realized through an incentive package against the investment required by the City. The incentive package could also be bundled in different ways based on unit type, location, level of affordability, etc.

Region of Peel Affordable Housing Initiatives

The Region of Peel has retained a consultant to first conduct a business case and financial assessment of providing incentives and tools to support affordable housing. An update is expected this Fall to Regional Council. If the business case and assessment results indicate that it is appropriate, the Region will move forward with developing a Regional Housing CIP and associated Affordable Housing Pilot Program. This work would also provide input to address Provincial inclusionary zoning requirements. Through the Region's 2019 budget, \$2.5 million was secured for year one of the pilot program. The Region has also outlined that their work will take local municipal impacts into consideration, and will evaluate the possible outcomes with local participation in the Regional CIP. Mississauga's CIP would be significantly more effective with Regional participation given their share of overall development charges and property taxes.

Regulatory and Policy Framework

Section 28 of the *Planning Act* sets out several requirements respecting enactment of a CIP. These requirements are summarized in Appendix 1. One of the requirements is that an official plan must contain provisions relating to community improvement prior to the municipality passing a by-law to designate an area covered by the official plan as a Community Improvement Project Area. Mississauga Official Plan (MOP) contains the necessary enabling policies. MOP policies respecting CIPs are included in Appendix 2.

The CIP must take into consideration recent changes to municipal planning and financial legislation through Ontario Bill 108, which received Royal Assent on June 6, 2019. Bill 108 has amended the time frame for payment of development charges for rental housing and non-profit housing providers. The new community benefit charge provision of Bill 108 may also exempt non-profit housing providers from paying the charge entirely. Provincially mandated exemptions and discounts may reduce the need or ability to provide certain CIP incentives.

It should be noted that many Bill 108 provisions would reduce municipal infrastructure charges and approval timeframes for all dwelling types (including market condominiums). There is no mechanism to ensure any savings will be passed on to homebuyers/renters. This differs from a potential CIP that would only target affordable rental units, including a verification of rent rates and tenant income.

Ensuring Developers are Providing a Range of Unit Types

As part of each major development application, staff will be asking applicants to illustrate how their proposals are addressing City and Regional housing affordability objectives. This terms of reference will work in conjunction with any future inclusionary zoning policies. Staff will be reporting back on a recommended inclusionary zoning approach after Bill 108 regulations are finalized.

Next Steps

The next steps in this process are:

- for staff to bring forward a by-law to designate the entire City as a Community Improvement Project Area for the purposes of affordable rental housing;
- for staff to prepare Community Improvement Plan for Affordable Rental Housing, including incentive options for Council's consideration; and,
- for staff to carry out public consultation to obtain community and industry feedback on the CIP, including hold a statutory public meeting.

Strategic Plan

The need to address housing affordability originated from the Strategic Plan "Belong" Pillar. Two strategic goals relate to housing affordability – "Ensuring Affordability and Accessibility" and "Support Aging in Place." Action 1 – "Attract and keep people in Mississauga through an affordable housing strategy" links to the CIP and the work on the City's Housing Strategy, including introduction of a CIP for Affordable Rental Housing.

Financial Impact

The extent of the financial impact of a city-wide CIP for rental housing can only be determined once a suite of options has been fully analyzed. Assessing the financial implications of any incentive being considered will be a key component of CIP. The value of a financial incentive will also depend on any cap approved by Council and applications submitted to the program by participants in the private and non-profit sectors. Staff will report back on the analysis of financial impacts.

Conclusion

The supply of affordable purpose-built rental units in recent years has been very low, leading to rental housing affordability issues in Mississauga. Staff are seeking approval to proceed with the development of a CIP for affordable rental housing substantially as outlined in this report.

Attachments

Appendix 1: Summary of *Planning Act* requirements for enacting a CIP

Appendix 2: Mississauga Official Plan policies respecting CIPs



Andrew Whittlemore, M.U.R.P., Commissioner of Planning and Building

Prepared by: Catherine Parsons, MCIP, RPP, Planner

Summary of *Planning Act* requirements for enacting a CIP

Section 28 of the *Planning Act* outlines the provisions and requirements for enacting a CIP, as follows:

- An official plan must contain provisions relating to community improvement prior to the municipality passing a by-law to designate an area covered by the official plan as a community improvement project area.
- The by-law to designate a community improvement project area must be enacted before Council can provide for the preparation of a plan suitable for adoption as a CIP and before the CIP may be adopted and come into effect;
- Consultation and a public meeting is required under subsection 17(15) prior to enacting the CIP;
- Grants or loans made in respect of a particular lands and buildings and tax assistance that is provided shall not exceed the eligible cost of the CIP with respect to those lands and buildings;
- Council may, by by-law, dissolve the community improvement project area, once it is satisfied that the CIP has been carried out.

Mississauga Official Plan Policies respecting CIPs

Section 19.22 – Community Improvement of Mississauga Official Plan provides the policy framework for CIPs. Policy 19.22.6 g) identifies that CIPs may be utilized for the provision of affordable housing:

- "19.22.6 Community Improvement Plans may consider the following, among other matters:
- g. identification of the need to provide affordable housing; "

Policy 19.22.7 identifies methods that can be implemented through CIPs, and specifically includes the allocation of public funds, in the form of grants, loans or other financial instruments for the physical rehabilitation or improvement of land and / or buildings including the remediation of contaminated properties, as follows:

- "19.22.7 Community Improvement Plans may be implemented by the following methods:
- a. participation in funding programs with senior levels of government that provide assistance in undertaking Community Improvement projects;
 - b. the formation and continuation of BIAs to maintain and improve commercial areas;
 - c. the preparation of design guidelines which outline necessary streetscape improvements and beautification plans for the area;
 - d. the encouragement of site remediation and/or infill and development that is in harmony with the existing pattern and character of the surrounding lands;
 - e. the acquisition and assembly of lands for public facilities and infrastructure, and possible development;
 - f. the application of the Ontario Heritage Act to preserve and enhance heritage buildings, where appropriate;
 - g. the application and enforcement of Property Standards By-laws for the maintenance and occupancy of residential, commercial, industrial, and institutional properties within Community Improvement Areas; and
 - h. allocation of public funds, in the form of grants, loans or other financial instruments for the physical rehabilitation or improvement of land and/or buildings including the remediation of contaminated properties."

Policy 19.22.8 identifies considerations for coordinating improvements through a CIP, as follows:

- "19.22.8 The following will be considered when determining the timing and sequence of Community Improvement projects:
- a. the opportunity to coordinate improvements with other Capital Budget projects;

- b. the existence of a recognized BIA;
- c. the efforts of local business associations to upgrade and promote the area; and
- d. availability of other government funds through programs in which the City may wish to participate."