

MEMORANDUM

TO: Mayor Bonnette and Members of Council

FROM: Moya Leighton, Town Treasurer & Manager of Accounting
John Linhardt, Commissioner of Planning & Sustainability

DATE: September 7, 2018

MEMORANDUM NO.: MEM-CORPSERV-2018-0002

RE: Affordable Housing in Halton Hills

PURPOSE OF THE MEMORANDUM:

The purpose of this memorandum is to respond to Council on a question raised during the August 28, 2018 Planning, Public Works and Transportation Committee meeting regarding the Town's position on encouraging development of affordable housing through the use of tax incentives. This memo provides information on the Town's taxation policies, development charges and other financial incentives, in addition to land use policies intended to influence the affordability of housing.

BACKGROUND:

Provincial policy stipulates that municipalities must establish and implement minimum targets for the provision of housing which is affordable to low and moderate income households. The Regional Official Plan and the Halton Hills Official Plan define affordable housing as follows:

'Housing with a market price (for purchase) or rent that is affordable to households of low and moderate income, spending no more than 30 per cent of their gross household income on housing, without government assistance.'

The Regional Official Plan has a 30 per cent affordability target for new housing units in Halton. The plan also stipulates that at least 50 per cent of new housing units should be in the form of townhouses or multi-unit buildings as such units are typically more affordable than single detached dwellings.

Household income thresholds for affordable housing and the supply and demand for affordable housing are generated annually through analysis conducted in Halton's Housing Model. For 2017, the average affordable household income (2.8 people) in Halton Region and the corresponding housing cost thresholds are:

Affordable (non-assisted)	All households (average 2.8 people)
Income threshold	\$103,700
Maximum purchase price	\$362,950
Maximum monthly ownership cost	\$2,592
Maximum monthly rent	\$1,932

It should be noted that these cost and income thresholds may be influenced by the pace of growth or the health of the economy. Historically, resale prices of homes have outpaced household income increases over time. As a consequence, units that are captured as affordable today (i.e.: at or below the 2017 maximum purchase price of \$362,950) may be resold beyond the affordable threshold in later years as these purchases take place in the open market. Halton Region and the local municipalities do not have the ability to influence market resale prices.

Assisted housing is housing that is affordable for low and moderate income households (household income between \$50,900 and \$103,700) for rent or purchase where part of the housing cost is subsidized through a government program. It has not been covered in the scope of this memorandum.

COMMENTS:

Land Use Policies to Influence Affordability

As noted above, there are planning policies in place to encourage the provision of affordable housing and medium and higher density housing. The Town surpassed the Regional medium/higher density targets in 2017 with 63 per cent of new completions consisting of either townhouses or apartment units. The sale price of these units however, did not meet the affordable threshold as established by the Region.

In order to address the affordable supply-demand shortfall in the housing continuum, the Town has undertaken a number of steps:

- An intensification study which focuses on medium and high density units will be completed in 2019.
- The recent RFP for the potential sale of municipal surplus lands adjacent to the Town Hall specifically referenced the delivery of affordable housing, a key component for which points would be awarded.
- The Vision Georgetown Secondary Plan makes specific reference to affordable housing, with the expectation that 30 per cent of new units will be affordable.

Other planning policies that are potentially available to municipalities to increase the supply of affordable housing include height and density bonusing under Section 37 of the Planning Act and the use of Community Improvement Plans.

Financial Policies to Influence Affordability

- Development Charges - Current Rates

The Town’s 2017 DC by-law has differing rates for development charges, depending on the type of structure. Single and semi-detached residential dwelling units carry a higher cost per unit of \$15,961.63. Development charges for apartment units start at \$5,825.14 and multiple dwelling units, which also include town houses, start at \$9,357.00. To summarize, the Town portion of the 2017 Development Charges indexed to the April 1, 2018 rates are as follows:

	\$	% diff from single & semi class
Single & Semi-detached dwelling	15,961.63	
Multiple dwellings, 3 or more bedrooms	12,888.85	(19.3%)
Multiples dwellings, less than 3 bedrooms	9,357.00	(41.4%)
Apartments, 2 or more bedrooms	7,798.01	(51.1%)
Apartments, less than 2 bedrooms	5,825.14	(63.5%)
Special Care/Special Needs/Accessory Units	4,585.56	(71.3%)

Development charges currently paid for apartments and other multiple dwelling structures such as townhouses run between 19.3% and 63.5% less than development charges for single and semi-detached dwellings.

- Discounting of Development Charges

The Town currently does not provide discounts on development charges to encourage the construction of affordable housing. If discounts were to be offered, they would have to be done outside of the current DC by-law. The amount of the discount would have to be borne by the tax payer to replenish the shortfall in Development Charge reserves. Following this option would require the development of clear criteria for eligibility to avoid any potential ‘bonusing’ as per the *Municipal Act*.

- Development Charges Rebate Program

At the Special Council Meeting on February 7, 2018 Council approved staff’s recommendation to submit an expression of interest to the Province’s Development Charges Rebate Program. The intent of the program was to allocate funding to

municipalities to provide development charge rebates to incent the creation of eligible purpose-built rental housing. This expression of interest was a joint submission for all four of the Halton Area local municipalities, filed by the Region of Halton. We were recently informed that the Halton application was unsuccessful. The Province provided funds to 13 out of a total of 84 municipalities who were invited to submit an expression of interest.

- Development Charge Exemptions

There are provisions in the 2017 Development Charges Background Study for statutory and non-statutory exemptions however these do not currently extend to exemptions for incentivizing affordable housing. Any new development charge exemptions need to be clearly defined and factored into the Development Charges Background Study.

- Deferring Collection of Development Charges

Development charges are usually payable upon issuance of the building permit for each type of unit. However, the *Development Charges Act 1997* does allow for late payment agreements to be established. Recent examples of late payment agreements include the Bennett Health Care (Phase 1) and the St. Andrews Seniors developments.

- Waiving of Planning Fees

The Town has a provision in its user fees by-law that requires the Commissioner of Planning and Sustainability to reduce by 50 per cent the planning fees for non-profit special needs housing. Council waived planning fees for both the Bennett Health Care (Phase 1) and St. Andrews Seniors.

- Assistance with Cash Flow

Large construction projects require site plan securities whereby developers need to provide letters of credit in favour of the Town to ensure certain conditions have been met. These agreements usually involve the developer placing cash with a financial institution at the start of a project effectively tying up these funds until all conditions have been met. For the St. Andrews Seniors project, the Town reduced the site plan security amount.

- Flexibility re: Parkland Cash-In-Lieu/Conveyance of Land By-Law

The Town's by-law for cash-in-lieu of parkland has a provision to allow developers to exchange other suitable land as a credit against the parkland dedication fee. In the case of the Bennett Health Care (Phase 1), the Town accepted environmental lands with an equal value to the parkland fee as fulfillment of their obligation.

- Property Taxes

The Region sets the tax policy for each of the local municipalities. In 2017, the Province as part of its strategy to promote the development and maintenance of an adequate supply of affordable housing legislated new multi-residential structures to have a tax rate limited to 1.0 to 1.1 times the residential rate (RT). The Region set the rate at a ratio of 1.0 times the residential rate for the Town whilst all existing multi-residential properties (MT) have a tax ratio of 2.0 times the residential rate.

CONCLUSION:

Land use policies, development charges, taxation policies and other financial incentives are some of the tools available to the Town to encourage the development of affordable housing. This memorandum outlines how legislation and other levels of government influence these policies and explores the implications and options of each incentive. Should Council wish to develop a policy on affordable housing for Halton Hills this can be explored as part of the strategic planning process in early 2019 and the appropriate direction given to staff.

Reviewed and Approved by,



Jane Diamanti, Commissioner of Corporate Services



Brent Marshall, CAO