**City of Richmond Hill**

# Background Study:
# Community Improvement Plan for Affordable Housing and Sustainable Design

March 2024

N. Barry Lyon Consultants Ltd.

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***Disclaimer:***

*The conclusions contained in this report have been prepared based on both primary and secondary data sources. NBLC makes every effort to ensure the data is correct but cannot guarantee its accuracy. It is also important to note that it is not possible to fully document all factors or account for all changes that may occur in the future and influence the viability of any development. NBLC, therefore, assumes no responsibility for losses sustained as a result of implementing any recommendation provided in this report.*

*This report has been prepared solely for the purposes outlined herein and is not to be relied upon, or used for any other purposes, or by any other party without prior written authorization from N. Barry Lyon Consultants Limited.*

**Acknowledgements**

N. Barry Lyon Consultants Limited (‘NBLC’) and ERA Architects (ERA) have been retained by the City of Richmond Hill to prepare a Community Improvement Plan (‘CIP’) that encourages several outcomes recommended by the City’s 2021 Affordable Housing Strategy. Housing outcomes to be targeted by the CIP include the creation of new purpose-built rental housing, affordable housing, and the retrofit and repair of older purpose-built rental buildings. The CIP is also intended to encourage developers to incorporate enhanced sustainability features in new buildings.

NBLC is a real estate advisory firm with over 40 years of market and financial consulting experience. NBLC is leading the affordable housing analysis and research in this report, as well as the future design and implementation of the CIP in later phases of the work. NBLC will also lead the public and stakeholder consultation that will occur in the next phase of the work.

ERA is an architectural firm with considerable experience evaluating the implementation of high-performance sustainable design features in new buildings as well as the retrofit of older buildings and is leading this component of the work.

Some of the discussion to follow highlights legislation that is proposed but not currently in force and therefore may be subject to change.

**Executive Summary**

The following report provides background analysis and research to help guide the direction and structure of a potential incentive program, as well as providing context related to the required budget and overall feasibility of a Community Improvement Plan (‘CIP’) to achieve the City’s objectives. This report first provides an overview of what a CIP is, compares CIPs with other incentive mechanisms, provides a list of potential tools and incentives that could be offered, and identifies objectives/market shortfalls a CIP can address. It then explores how a CIP can address the specific objectives of the City relating to affordable housing and sustainable design, a review of case studies and best practices, and

financial/economic modelling to highlight the level of incentive needed to incent targeted outcomes.

Following are key findings from this analysis:

- Overall, the analysis suggests it is expensive to incent affordable housing and sustainable design (upwards of $400,000 per unit for affordable housing and over $30,000 per unit for development that includes sustainable design features). Currently there are no municipal programs that formally combine both objectives within the same incentive program.
- Notwithstanding the above, some affordable housing incentive programs do have sustainable design requirements in an indirect manner. This is accomplished through the understanding that most affordable housing projects will be financed/funded through the National Housing Strategy, which has requirements for sustainable design and accessibility.
  - Further, many affordable housing providers will seek to implement high sustainability within their project to reduce operating costs. However, as illustrated in this analysis, this will add costs to the project that are not offset by the operational savings, and they will therefore require direct capital funding to advance.
- As illustrated in the case study review of relevant programs, some communities attempting to offset sustainable design costs (e.g., Toronto) often do not offer subsidies through a CIP or other formal program. Rather, development charges are automatically offset if a project meets the sustainability score. This is effective because both the sustainability score and development charge are determined at the same time, at building permit.
  - The above is accomplished by building the incentive directly into the development charge by-law. It is effective because it provides certainty to the developer that the incentive will be granted, without the need to formally apply to a program and any risk they are not approved. It also reduces the administrative burden to the municipality of having to administer an incentive program.

- Other programs do offer incentives through a CIP (e.g., Caledon, Kingston). In this scenario, both grants and tax rebates would be effective incentives to encourage these outcomes.
- There could also be non-monetary incentives for sustainable design. Priority development approvals would be an effective incentive option. The municipality would not have to provide any capital, but shortening the development approvals timeline would appeal to developers.
- A critical role the municipality can play is to link applicants to existing funding offered by other tiers of government and removing barriers for applicants to access those funds. This could take the form of specialized staff support offered by the City of Richmond Hill directly to applicants and maintaining an active roster of relevant and available funding streams.

- Incentive programs to retrofit older rental buildings already exist through the National Housing Strategy, which also have requirements for the project to remain affordable. Given that Richmond Hill does not have infinite financial resources available to incentivize all outcomes, it is likely not strategic that additional municipal capital dollars be allocated to this objective.
- For Affordable housing, either a CIP or a Municipal Capital Facility Agreement (MCFA) is an appropriate mechanism for incentivizing affordable housing. A MCFA is a simpler tool that is easier to implement, has more flexibility, has more incentives available, and can be more easily amended over time relative to a CIP. However, it is limited in its ability to incent broader objectives such as sustainable design. The City could select either mechanism, and program design could be identical regardless of which is selected. Given that the City is already proceeding with the required consultations and public meetings, as well as the multiple objectives under consideration, a CIP is likely the right tool.
- An affordable housing incentive program should aim to fill as much of the financial gap as possible, while also leveraging funding from senior government programs. This is challenging because of the substantial financial contribution necessary, but also understanding that no “single subsidy” will work for every application. Every project will be unique in terms of project costs, return expectation, price paid for land, grants and funding already

secured from other sources, financing terms, equity available, and many others. Subsidy requirements will also shift from year to year as there are economic and cost shifts.

- This is why recent incentive programs have moved away from offering a single package of incentives typical of many CIPs (e.g., waived development charges, TIEG, planning application fees, etc.) and towards offering capital funding on a competitive basis where applicants apply and justify the level of subsidy they require (e.g., Toronto, Peel, Durham programs).

- While the process of offering capital funding on a competitive process requires that the municipality evaluate proformas and negotiate with individual applicants, it also ensures the program is flexible and offers an incentive amount the results in a viable project. The internal capacity of Richmond Hill to review proformas and respond to applicants will be a key determinant as to whether this structure should be pursued.

- For incentive programs that do not completely fill the gap, and particularly if only a small portion of the gap is filled, applicants or developers will likely not apply. If they do apply, as evidenced through other incentive programs in the previous section, they often tie up municipal capital for a number of years as they secure other sources of funding, with modest success of actually advancing the project. These types of programs, while not offering enough subsidy on their own, are offering incentives anyway because they want to offer some level of assistance. These incentives become a 'piece of the puzzle' where projects must secure other sources of funding through government programs or fundraising efforts.

- Alternatively, the City can advance a 'set incentive package' that is offered to applicants who meet the identified eligibility criteria. The most effective incentives will include grants as well as offsetting property taxes and will seek to leverage and stack as much funding as possible from York Region and senior levels of government. If this structure is pursued, opportunities to include a significant package of incentives, flexibility in administration, and competition for funding should be explored. Putting these pieces in place will assist groups with their housing plans, even if the full financial gap is not addressed at the local level.

  - Incentives for market-rate rental, affordable rental, and non-profit affordable ownership groups all appear appropriate based on the analysis.

- Any incentive program should apply City-wide. Affordable housing is a broad objective and should not be limited by an artificial geographic constraint. Like the programs highlighted in Peel and Durham, the program should apply City-wide, with locational criterion used to evaluate applications if funding is to be allocated on a competitive basis.
- Incentivizing lower cost outcomes like additional residential units (ARU) will be significantly less expensive, however the limitations of this housing form in terms of incentive take-up and addressing the housing needs in Richmond Hill are notable as evaluated in the previous section of this report. ARU can be incented using lower cost options such as loans, forgivable loans, and smaller grants.
- We would recommend that Richmond Hill collaborate with the Region of York to combine funding into a single regional incentive program, similar to what is being done in Peel Region and Durham Region.

As a next step, the City of Richmond Hill must begin making decisions regarding the outlook of a future incentive program based on this analysis. This should begin with determining the budget that might be available at program launch, and on an annual basis looking forward. This will allow the City to determine if they have the financial resources to fully fund an incentive program, which will ultimately influence the design of the program. This will also allow the City to begin prioritizing outcomes and work with NBLC/ERA on program design in consultation with key stakeholders through the next phase of the project.

## 1.0 Introduction

The City of Richmond Hill has recently (2021) completed an Affordable Housing Strategy that identifies housing needs in the community and recommendations to address these needs. The City has also recently updated their Sustainable Metrics Program (2023), the City's green development standard implemented as part of the development review process that is intended to drive enhanced sustainability features in new buildings developed across the City. The City's Official Plan also includes policies on affordable housing targets and sustainability design features in new development.

Housing outcomes to be targeted by the Community Improvement Plan (CIP) include the creation of new purpose-built rental housing, affordable housing, and the retrofit and repair of older purpose-built rental buildings. The CIP is also intended to encourage developers to incorporate enhanced sustainability features in new buildings.

The following report provides background analysis and research to help guide the direction and structure of a future CIP. This report first provides an overview of what a CIP is, how CIPs compare with other incentive mechanisms, the types of incentives that can be offered, and the objectives/market shortfalls a CIP can address. It then explores how a CIP can address the specific objectives of the City relating to affordable housing and sustainable design, a review of case studies and best practices, and financial/economic modelling to highlight the level of incentive needed to incent targeted outcomes.

### 1.1 Purpose of Project

This project implements direction from Richmond Hill Council to establish financial tools and programs that incentivize the development of affordable housing and to provide for sustainable development in the City. This supports core priorities and other efforts the City is undertaking to increase the provision of affordable housing and sustainable forms of development that contribute to the socio-economic and environmental health of the community.

Housing affordability is a growing concern in Ontario, but it is especially pronounced in the Greater Toronto and Hamilton Area (GTHA). The Regional Municipality of York (York Region) reiterated the housing crisis through its 2021 Report, emphasizing that the York Region has not been able to achieve housing affordability targets in recent years. Locally, according to Census 2016, Richmond Hill has the highest proportion of households experiencing housing unaffordability out of all the local municipalities in the Region. More than half (56%) of all renter households and over one-third (34%) of owner households are spending 30% or more of their income on shelter costs[1].

Affordable housing is also necessary for supporting population growth. According to York Region, the lack of affordable housing contributed to the slower growth in the York Region over the past decade. A slower than anticipated growth can adversely affect the recuperation of development charges and the timing of planned infrastructure. As the City embarks on its Official Plan Update, it is vital that we plan for affordable housing in order to attract more people and jobs to the City. As part of the solution, City Council endorsed an Affordable Housing Strategy in 2021, which recommends undertaking a CIP to implement a range of incentives to create affordable housing opportunities.

In addition, like many other communities in the GTHA and beyond, Richmond Hill has been experiencing the consequences of severe weather patterns and changing climate conditions, which include disruptions to business continuity, infrastructure damage, risks to health and safety, and increased financial costs. Council's adoption of the City's Community Energy and Emissions Plan (CEEP) in 2021 provides guidance and actions to mitigate the impacts and contributions to climate change. As identified in the CEEP, "Efficient Buildings" represent a significant opportunity to reduce the City's greenhouse gas emissions and as such, to achieve the net-zero greenhouse gas emissions target approved by Council in the CEEP, significant effort is needed to ensure that new and existing buildings are designed and operated to reduce emissions over the long-term, beyond what the current Ontario Building Code requires. To address these

[1] City of Richmond Hill Affordable Housing Strategy

issues, the City will need to work in partnership with the development community, households and building operators.

Developing financial incentives to facilitate the creation of affordable housing and the development of more sustainable buildings demonstrates the City's willingness to act as a partner with the development community to achieve desired goals. It also improves customer service with this stakeholder group who are relied upon to deliver desired built forms. Ultimately, the provision of affordable housing and sustainable forms of development contribute to the socio-economic and environmental health of the community by providing housing options for more residents in Richmond Hill and by mitigating environmental impacts of development. This initiative directly assists with implementing Council's Strategic Plan (2024-2027) including Pillar 1: Growing a Livable, Sustainable Community, Pillar 2: Focusing on People, and Pillar 3: Strengthening our Foundations.

The recommendations of this study to create CIP(s) is a mechanism intended to increase the City's capacity to achieve Council's strategic priorities and meet any Council-approved targets for affordable housing as well as reducing greenhouse gas emissions.

## 1.2 Richmond Hill Official Plan

The Richmond Hill Official Plan (OP) provides enabling policies to prepare Community Improvement Plan (OP Section 5.17). These policies allow the City to designate a Community Improvement Area for a portion or all of the Plan area as long as it satisfies one or more of the criteria related to affordable housing and/or energy efficiency in buildings.

### 1.2.1 Affordable Housing

Housing affordability is a key focus of the OP, which outlines a vision for a complete community that includes adequate, affordable, and suitable housing to meet the needs of a diverse population. Section 3.1.5 of the OP provides direction on minimum targets for developing affordable units in the City, rental housing, and additional residential units. Preparing a CIP will enable the City to ensure appropriate incentive programs can be put in place to help meet minimum affordable housing targets including ownership housing and rental housing. These programs can help incentivize the creation of affordable housing for families, seniors, and residents with special needs such as requiring accessible units.

At the March 24, 2021 Council Meeting, Council adopted amendments to the Official Plan and the Zoning By-law to expand permissions for an additional residential unit (also known as secondary suites) within a ground-related dwelling, and also to permit an additional residential unit in a structure ancillary to the ground-related dwelling on the same lot. The intent of these amendments is to bring the Official Plan and Zoning By-law into conformity with Provincially legislated requirements and to facilitate housing diversity. The amendments will also help to guide future development of additional residential units and to increase the supply of affordable housing in order to meet the needs of Richmond Hill residents. These amendments came into effect on March 23, 2021. Of note, legislative changes through Bill 23 supersedes municipal Official Plans and Zoning by-laws and allows up to three units in different configurations (within primary and accessory buildings) on all parcels of urban residential land. Official Plans and zoning by-laws need to be amended to be consistent with this new legislation.

Furthermore, at the June 27, 2022 Special Council Meeting, Council adopted Official Plan Amendment (OPA) 18.3, which updates policies in Section 3.5 of the Official Plan and includes a policy that prohibits the demolition or conversion of purpose built rental housing, unless certain criteria is met. Additionally, OPA 18.3 would also prioritize public surplus lands and buildings for affordable housing, should these properties no longer be needed by other public agencies.

### 1.2.2 Sustainable Design

Section 3.2.3 of the Official Plan provides direction on a number of elements related to sustainable design, including specific policy direction on encouraging development to achieve energy efficiency levels that exceed the Ontario Building Code for residential buildings, and the Model National Energy Code for non-residential buildings. This also includes the possibility of establishing complementary incentive programs to foster the successful implementation of such development across the City.

As part of the adoption of OPA 18.3 as noted above, Council approved new and updated general direction on climate change in the Official Plan. The changes included updates to Policy 3.2.3 Sustainable Design that recognizes the City's Sustainability Assessment Tool as a method to implement sustainable building and site design through development. Another change included the recognition through Policy 3.2.3 (34) of reviewing options related to incentives for sustainable design including the use of a CIP.

## 2.0 Municipal Incentive Mechanisms

There are several mechanisms that a municipality can utilize to offer financial and non-financial support to the for-profit and non-profit development industry. The two primary mechanisms that allow a municipality to offer financial incentives are CIP and Municipal Capital Facility Agreements (MCFA).

A CIP or an MCFA is required to allow the delivery of financial incentives because outside of these tools, municipalities are prohibited from assisting development through the granting of bonuses, as per Section 106 of the *Municipal Act*.

The following provides an overview of each mechanism.

## 2.1 Community Improvement Plans

### 2.1.1 What is a Community Improvement Plan?

A CIP is a tool that enables municipalities to achieve broad land use planning and economic policy objectives by offering financial incentives to attract private investment. Through Section 28 of the *Planning Act*, municipalities must adopt policies within the Official Plan and approve an implementing by-law to designate a community improvement project area, which can be restricted to a specific location(s) or be municipality wide.

Common objectives of a CIP can include downtown / neighbourhood renewal, affordable housing, office development, transit-oriented development, brownfield remediation, retail investment, energy efficiency improvements, and many others.

Section 28(7.2) of the *Planning Act* also allows local and regional municipalities to participate in each other's CIP. The Section states:

> "*The council of an upper-tier municipality may make grants or loans to the council of a lower-tier municipality and the council of a lower-tier municipality may make grants or loans to the council of the upper-tier municipality, for the purpose of carrying out a community improvement plan that has come into effect, on such terms as to security and otherwise as the council considers appropriate, but only if the official plan of the*

*municipality making the grant or loan contains provisions relating to the making of such grants or loans*".

This provision would therefore allow York Region to contribute additional financial incentives in the City's CIP. Similarly, if York Region had a CIP, Richmond Hill could also contribute to the Regional CIP with local incentives.

### 2.1.2 Types of Incentives

There are a wide variety of incentives that can be offered through a CIP:

- Regional Municipal Incentive Tools:
  - Regional grant not tied to individual fees and charges
  - Regional grant tied to specific fees and charges (e.g., development charges, planning applications fees, etc.)
  - Low-cost or forgivable loans
  - Tax Increment Equivalency Grants for Regional property taxes (TIEG)
  - Region owned land at discounted or no cost
- Local Municipal Incentive Tools:
  - Local grant not tied to individual fees and charges
  - Local grant tied to specific fees and charges (e.g., development charges, planning applications fees, building permits, parkland fees, etc.)
  - Low-cost or forgivable loans
  - Tax Increment Equivalency Grants for Local property taxes (TIEG)
  - Local municipally owned land at discounted or no cost

As identified in Section 2.1.1 of this report, both Regional and Local municipal incentives can be offered through a single CIP. Generally, these incentives can be broken into several categories based on their structure and impact to municipal finance:

### a. Grants

The City can offer a grant to cover the required subsidy that is not tied to any specific charge or fee that a developer encounters when developing real estate. This would involve a per project or per unit grant (e.g., $50,000 per unit).

Alternatively, the City can offer grants that are specifically tied to a specific fee or charge such as development charges, cash-in-lieu of parkland, building permits, etc. Some CIPs will offer both grants (e.g., grant covering the cost of development charges and a capital grant for $25,000 per door).

Both approaches would require funding directly from the municipal tax base or other source such as community benefit charges or the Housing Accelerator Fund.

### b. Loans

Loans can also be offered to assist with the creation of new housing developments. For loans to have a meaningful impact, they must be offered with more favourable conditions than what a borrower could receive in the private market. Examples include:

- Reduced Interest Rate: Offer a loan at an interest rate below what is offered through major lenders
- Interest Free: Offer a loan with no interest payments
- Forgivable: Offer a loan that is forgivable if certain conditions are met
  - A forgivable loan is simply a loan that does not need to be repaid if certain conditions are met. As explored in the case study analysis in the following section, every CIP requires that the incentive provided be repaid if the recipient does not adhere to the agreed upon terms. Therefore, all grants are technically forgivable loans, and vice versa.

As will be assessed in more detail in the following section of this report, low-interest and forgivable loans to encourage the creation of additional residential units[2] and other smaller housing objectives are common in communities across Ontario. However, loans for high-rise residential development are not typically used for a variety of factors:

- Depending on project size, a construction loan for a high-rise project will be significant. For example, in our proforma analysis presented later in this report, the construction loan for a high-rise project is over $100M.
- There are already programs offered through Canadian Mortgage and Housing Corporation (CMHC), Infrastructure Ontario, and other sources that provide low-cost loans to residential builders seeking to construct affordable and rental housing.
- Municipalities have limited debt capacity, making senior levels of government better suited to financing new development.

Loans would be funded through the municipal tax base or other sources such as community benefit charges or the Housing Accelerator Fund.

### c. Property Taxes

Offsetting property taxes for a new rental building reduces the project's operating costs. Property taxes, along with other items such as property maintenance, management, utilities, etc. make up the operating budget of a building. The operating costs are subtracted from total revenue (rent, parking charges, etc.) to determine the Net Operating Income (NOI). The NOI must be positive for a project to advance or else it could default on financing.

For affordable housing providers, a significant risk associated with delivering new affordable housing is that operating costs, and particularly utilities and property taxes, will increase at a quicker rate than the revenue of the affordable units. To offset this risk, some incentive programs offer property tax relief for the length of affordability agreed to. As will be explored in the following section, property tax

[2] Additional residential units are self-contained units and can include basement apartments, laneway homes, garage conversions, and other ways where up to 3 dwelling units are permitted on a lot containing a single-detached, semi-detached, or rowhouse.

incentives have a meaningful impact on the financial outcome of a proforma while also reducing risk.

From a municipal finance perspective, property tax incentives are often viewed favourably by the municipality because property taxes are paid by the developer and then refunded by the municipality via a TIEG, whereas grants require a capital budget to fund the expenditure. Some municipalities may also rationalize this incentive through the understanding that the increase in property tax would not have occurred without the incentive provided. Notwithstanding this, it is also important to understand that new development drives the need for municipal services that are normally funded through the property tax that is paid, which means the burden is extended to the property tax base at large.

Of note, the Region of Waterloo recently announced that they will be waiving property taxes for existing and new affordable housing projects through the Region's Municipal Capital Facility Agreements[3]. Other programs offer similar property tax offsets, as will be highlighted in the following section of this report.

### d. Land

Offering land at below market value, and potentially at no cost, can be a highly effective incentive at encouraging affordable housing. For many rental and affordable housing providers, purchasing land at market value can be a significant barrier.

A CIP will be required for the land to be sold or leased at a below-market value. However, a municipality would not simply list land as an eligible incentive through the program, rather these tools are only the mechanism for offering the land at a reduced value as required by the *Municipal Act*. The process for disposing of a property will require a separate Request for Proposal process with significant due diligence on the behalf of the municipality. Richmond Hill could also transfer a property to the York Region for the creation of affordable housing.

[3] https://www.cambridgetoday.ca/local-news/region-to-exempt-affordable-housing-providers-from-paying-property-tax-8399610

### 2.1.3 Process to Develop a CIP

To implement a CIP, there must be Council direction to prepare the Plan, the Official Plan must have enabling provisions, a by-law must be passed designating the community improvement project area, the draft CIP must be circulated to the Ministry of Municipal Affairs and Housing (for review, not approval), a formal public meeting must be held no earlier than 20 days after public notice has been given, and the final plan must then be approved by Council. A CIP also carries appeal rights through Section 28(5) of the *Planning Act*, which allows any party who has written to Council or made an oral submission at a public meeting to appeal.

### 2.1.4 CIP Location Criteria

The specific objectives of the CIP will ultimately influence if the community improvement area is municipality-wide or restricted to a specific geography. For example, a municipality seeking to revitalize their downtown will specifically define the boundaries of the downtown and define the type of investment they hope to see. In situations where the community improvement objectives are broader, such as affordable housing, the CIP might apply municipality wide. Understanding that the need for affordable housing is often observed across a municipality, rather than a specific neighbourhood or area, many affordable housing incentive programs are municipality wide.

### 2.1.5 CIP Evaluation Criteria

Municipalities may also develop specific eligibility requirements for various incentives as well as evaluation criteria.

Eligibility criteria will specifically outline the requirements that must be met by all applications to the program. Evaluation criteria can be used to prioritize eligible applications and/or determine the magnitude of the incentive offered. The City of Brampton for example has a CIP in place for the downtown that offers a 50% reduction in development charges for eligible applications, which can be increased up to 100% reduction based on how the application scores relative to the evaluation criteria. For instance, projects are scored higher if they are located adjacent to major transit, are mixed-use developments, or meet the City's sustainability and urban design goals. Other CIPs will use evaluation criteria to prioritize the applications received if the request for funding exceeds the amount of funding available each year. Of note, if a CIP is municipality-wide, locational evaluation criteria can be incorporated. For instance, projects are scored more points if they are in a downtown, major corridor, or growth area.

### 2.1.6 Making Amendments to a CIP

The *Planning Act* generally does not provide direction on how changes to an existing CIP are administered. Many municipalities state in their CIP by-law what can be changed and what cannot be changed without formal amendment. Many programs state that the evaluation and processing criteria, the boundaries of the CIP geographic boundaries, discontinuation of any incentive, and other minor changes can be made without a formal amendment of the CIP, so long as the general goals and objectives of the CIP are maintained. Many programs also state that any changes to the eligibility requirements, changes to the existing incentives, introduction of new incentives, and other more significant changes might require a formal amendment.

Amendments to a CIP by-law will require the same process described in Section 2.1.3 of this report, including the ability for groups to appeal the amendment.

## 2.2 Municipal Capital Facility Agreement (MCFA)

### 2.2.1 What is a MCFA?

A MCFA is like a CIP in that it offers a municipality the flexibility to provide financial incentives to the development industry in exchange for affordable housing. While MCFA historically were only enabled for upper and single-tier municipalities, they can now be used by lower-tier municipalities as well.

Key considerations of a MCFA relative to a CIP include:

- Both upper and lower-tier municipalities can use MCFAs. York Region currently has a Municipal Capital Facility By-Law, and it has entered into MCFAs with affordable housing projects. Richmond Hill does not currently have a Municipal Capital Facility By-Law.

- Like a CIP, Section 110(9) of the *Municipal Act* allows local municipalities to offer incentives through a Regional MCFA, and vice versa.
    - For example, if the York Region enters a MCFA with an affordable housing project in Richmond Hill, Richmond Hill could offer any of the incentives permitted through a MCFA through the Region's MCFA, including land. A similar process could occur in reverse (i.e., York offers incentives through Richmond Hill's MCFA).
    - Layering incentives between an upper and lower-tier municipality will require a similar level of coordination between governments as a CIP.
- All the incentives that can be offered through a CIP are also eligible to be used through a MCFA. However, a MCFA has additional permissions that allow the municipality to completely exempt development charges and property taxes from being paid, as opposed to a CIP offsetting these charges through grants and TIEGs (i.e., through a CIP a developer must pay the property tax and later be refunded through a grant, whereas a MCFA allows the property tax to be exempted without payment).
- While the definition of what constitutes a municipal capital facility is narrow, affordable housing is specifically permitted. However, other objectives such as downtown renewal, office investment, sustainable design, and others are not eligible capital facilities and would therefore require a CIP. This means that Richmond Hill could use a MCFA for affordable housing but would require a CIP to incent sustainable design.
- Both a CIP and MCFA can be administered as an annual proposal call or applications can be received on a rolling basis for approval.
- As outlined to follow, the process for approving and amending a Municipal Capital Facility By-Law and the individual agreements are much simpler than a CIP.
- The process of establishing eligibility/evaluation criteria and the ultimate approval of specific applications is similar between a CIP and MCFA.
- Of note, municipalities are increasingly using MCFAs over CIPs to encourage affordable housing, as evidenced by the City of Toronto's successful Open

Door affordable housing program, as well as recent programs implemented by Peel Region and Durham Region.

- Notwithstanding the above, CIP's can still be used as an effective incentive mechanism, if desired.

### 2.2.2 Types of Incentives that Can be Offered

There are a wide variety of incentives that can be offered through a MCFA:

- Regional Municipal Incentive Tools:
  - Regional grant not tied to individual fees and charges
  - Regional grant tied to specific fees and charges (e.g., development charges, planning applications fees, etc.)
  - Low-cost or forgivable loans
  - Tax Increment Equivalency Grants for Regional property taxes (TIEG)
  - Region owned land at discounted or no cost
  - Exemption from Regional property taxes
  - Exemption from Region development charges
- Local Municipal Incentive Tools:
  - Local grant not tied to individual fees and charges
  - Local grant tied to specific fees and charges (e.g., development charges, planning applications fees, building permits, parkland fees, etc.)
  - Low-cost or forgivable loans
  - Tax Increment Equivalency Grants for Local property taxes (TIEG)
  - Local municipally owned land at discounted or no cost
  - Exemption from Local property taxes
  - Exemption from Local development charges

As identified in Section 2.2.1 of this report, both Regional and Local municipal incentives can be offered through a single MCFA.

### 2.2.3 Process to Develop a MCFA

To enter into a MCFA, a municipality must first pass a Municipal Capital Facility By-Law that must define affordable housing, define the eligibility requirements, include references to current acts and legislation, include a summary of the provisions that agreements must contain, and other language as required by the Act. The approval or amendment of the by-law requires Council approval but does not carry appeal rights or consultation. A MCFA is therefore easier to implement and adjust over time relative to a CIP.

Once the by-law is enacted, a municipality can then enter into individual agreements, referred to as Municipal Capital Facility Agreements, with selected projects. These agreements will explicitly characterize the project, if the project is meeting or exceeding the definition of affordable housing in the by-law, detail the incentives being offered, and other similar items.

### 2.2.4 MCFA Applicable Location

It is noted that unlike a CIP, a Municipal Capital Facility By-Law must be municipality-wide and cannot be restricted to a specific location through the by-law. However, the municipality can implement evaluation criteria that incorporates locational requirements in a similar fashion as a CIP.

## 2.3 Municipal Fee and Development Charge By-Laws

A municipality can also incorporate incentives directly into their fee and charge by-laws. For example, a municipal by-law can state that development charges or planning application fees will be reduced or waived for projects delivering specific outcomes. The subject applications might include: office development, affordable housing, and other development projects that meet specific sustainability metrics.

Through this process, a developer would not need to apply to a CIP and be approved by the City. Through a CIP, a developer would also need to pay the required fee and then be refunded, which would not be the case if the fee/charge by-law was amended to offer the reduction as-of-right.

### 2.4 Non-Financial Incentives

It is also important to note that there are other incentives a municipality can offer that are not financial outputs from the City and do not need to be included in a CIP. These include actions such as increasing the residential density permitted, offering density as-of-right without lengthy and uncertain approvals, introducing flexible and less restrictive zoning standards, and approving projects more quickly. These actions create value by providing more certainty and reducing risk to development proponents, reducing development timelines and carrying costs, and increasing the value of a project through increased density.

Reducing parking requirements, particularly for affordable housing, can also have a significant impact on project feasibility. With underground parking spaces costing upwards of $100,000 per space[4], reducing these requirements can have a meaningful reduction in project costs. As will be seen in Section 4 of this report, parking costs will make up a substantial component of the required subsidy necessary for a project to advance (e.g., subsidy is covering costs for affordable housing as well as the required parking space). Recognizing this, many municipalities are beginning to remove minimum parking requirements from zoning, including auto-oriented communities such as Edmonton and Minnesota.

[4] 2023 Altus Cost Construction Guide

## 3.0 Affordable Housing

The following section summarizes the housing needs and actions identified by the City's Affordable Housing Strategy and explores the topic of incenting affordable housing.

### 3.1 Richmond Hill's Affordable Housing Strategy

The City of Richmond Hill completed an Affordable Housing Strategy in May 2021 that identifies the housing needs in Richmond Hill and explores how the City can work with other levels of government, developers, landowners, and residents to provide housing that is affordable to moderate-income households.

The Strategy defines affordable housing as housing that is affordable to low- and moderate-income households earning at or below the 6$^{th}$ income decile in the City. As illustrated by **Figure 1** below, this equates to an affordable purchase price of $532,105 and an affordable rent of 125% of the CMHC Average Market Rent.

**Figure 1: Richmond Hill Affordable Housing Strategy Affordable Housing Thresholds (2023)**

| Tenure Type | 2023 |
|---|---|
| **Rental** | |
| Bachelor | $1,310 |
| 1 Bedroom | $1,729 |
| 2 Bedroom | $1,924 |
| 3+ Bedrooms | $2,354 |
| 1 Bedroom + Den | $1,729 |
| 2 Bedroom + Den | $1,924 |
| **Ownership** | $532,105 |

The Affordable Housing Strategy found many gaps across the housing continuum in Richmond Hill. This included a lack of rental housing for all households, a lack of ownership housing for low- and moderate-income households, unsuitable dwelling size and buildings in disrepair in older rental buildings, as well as other related housing gaps. To address these gaps, the following targets were established:

- 10% of new housing units will be for low-income households, including those with special needs.
- 15% of new housing units will be geared to moderate-income households, for both rental and ownership tenure.
- Increase the overall rental vacancy rate to above 3%.

The Affordable Housing Strategy recommended that a Community Improvement Plan be investigated to incentivize purpose-built rental, additional residential units, and affordable housing, in areas where inclusionary zoning is applied, or city-wide. The Strategy also recommended that a CIP be used to implement a purpose-built rental housing building renovation program to improve accessibility or perform critical repairs. The analysis to follow will explore the considerations of pursuing the Strategy's targets with incentives from a qualitative and quantitative perspective.

## 3.2 Affordable Ownership versus Affordable Rental

Despite there being many gaps in the housing spectrum, in designing a strategy to incentivise housing outcomes, it is best practice for municipalities to target a particular set of outcomes as it relates to the tenure, type, and pricing of housing that is desired. This section will compare affordable ownership versus affordable rental and outline the options that would work best in Richmond Hill.

### 3.2.1 Rental Housing

Within the context of Richmond Hill's housing market, new purpose-built rental housing is in extremely short supply. Richmond Hill has added only 50 net new rental units since 1990, with York Region as a whole adding only 1,083 net new units over the same period[5]. Limited new investment in purpose-built rental housing together with the removal of rental units from the market due to demolition and conversions has resulted in minimal net growth. As a result, the rental vacancy rate in Richmond Hill is currently 0.9%[6], indicating virtually zero availability for new tenants, which is also causing rents to rapidly rise.

Despite the limited purpose-built rental supply, rental households have accounted for nearly 75%[7] of household growth in Richmond Hill since 2016. Out of the total supply of rental housing in Richmond Hill in 2021, the secondary rental market makes up 89%[8] of the supply in the form of rented condominiums, rented additional residential units, or other forms of rental units.

Despite these conditions, the business case to construct new purpose-built market rental housing at market rates remains challenging, particularly within the context of rising construction costs and interest rates. This explains why so little purpose-built rental housing has occurred in Richmond Hill, and broadly across similar communities within southern Ontario. The financial analysis in Section 4.0 of this report will articulate this further, which will also consider the impact of recent policy changes attempting to encourage greater rental development (e.g., reduced development charges and waived HST for rental housing).

### 3.2.2 Ownership Housing

In contrast, the private sector has demonstrated an ability to deliver ownership housing, however at increasingly expensive pricing. Municipalities have explored incentivising affordable ownership in several ways:

- Implementing Inclusionary Zoning (IZ) By-Laws – though no IZ policy is currently in force in Ontario as of the writing of this report.

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[5] CMHC Housing Portal – Change in Rental Universe

[6] CMHC Housing Portal

[7] Richmond Hill Housing Strategy

[8] Statistics Canada, Census 2021 and CMHC, Housing Market Information Portal

- Offering a second mortgage program that provides eligible households with downpayment assistance through an interest free second mortgage that is repaid when the home is sold in the future. These are very rare in Ontario.
- Supporting affordable ownership groups such as Habitat for Humanity, Trillium Housing, Options for Homes, and others. This is a common approach in other Ontario communities.

The primary critique of affordable ownership housing is that it is affordable to the first purchaser only, who can then sell the home at market prices later. Affordable rental housing on the other hand will be affordable for an agreed upon length of time, which is typically 20+ years. While affordable ownership leads to better housing outcomes for a small number of moderate-income households, longer term affordability is often not secured. As a result, nearly all the incentive programs currently available through the Federal, Provincial, and Local government target affordable rental housing exclusively. However, recent legislative changes brought forward through Bill 23 will now exempt non-profit developers from development charges, community benefits charge, and parkland fees, which includes affordable ownership groups like Habitat for Humanity, Options for Homes, and Trillium Housing. The same incentives will also be available for any developer who will deliver housing below the cost of the Province's new affordable ownership housing definition.

As homes have become more expensive, second mortgage programs offered by a municipality are very rare in Ontario and are non-existent in the GTHA. This is due to the high cost of housing and the large second mortgage that would be necessary for a moderate-income household to afford a home. Of note, the Federal Government had introduced this type of program to assist first-time homebuyers, but it was cancelled recently due to lack of take-up[9].

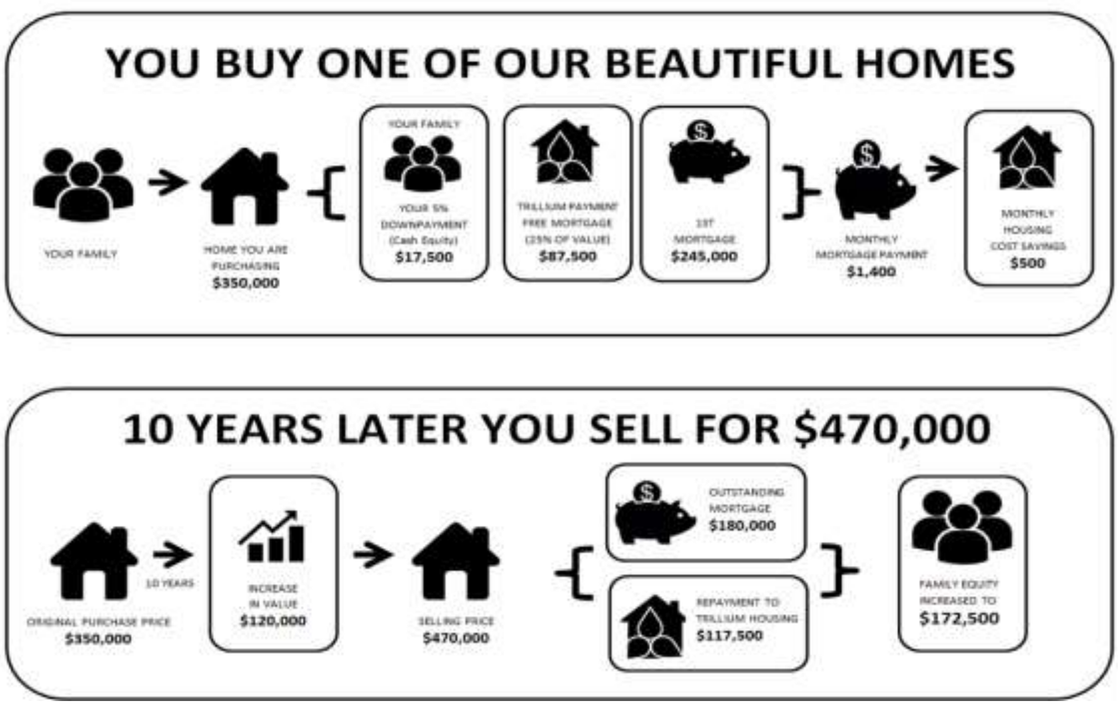
Notwithstanding the above, municipalities have found success in supporting non-profit affordable ownership groups, either through the granting of public land or modest subsidy. Municipalities have also found success in supporting partnerships between for-profit organizations and affordable ownership groups

[9] https://www.cbc.ca/news/business/first-time-home-buyers-incentive-discontinued-1.7130966

through the development process, often using tools such as Section 37 of the *Planning Act* through density bonusing to foster these outcomes.

While Section 37 is no longer available, Richmond Hill is also considering the implementation of Inclusionary Zoning (IZ), which will require a proportion of units be provided at affordable rates within the City's Protected Major Transit Station Areas (PMTSA).  Based on recent trends, it is likely that most of the development that will come forward in the City's PMTSAs will be condominium tenure, meaning the developer will choose to provide affordable ownership units rather than advancing a complicated mixed-tenure building.  There is therefore an opportunity to secure affordable ownership housing, possibly under the stewardship of affordable ownership non-profits, through the implementation of IZ.

If longer term affordability is desired, a mechanism must be put in place to secure affordable ownership over a period of time. The affordable ownership groups identified in this section pursue one-time affordability because they require repayment of the initial second mortgage plus their share of the appreciated value to deploy that capital in their next project (as illustrated in the image below by Trillium Housing).




### 3.2.3 Recommended type for Richmond Hill

In our review of successful incentive strategies elsewhere, virtually all incentive programs focus on rental housing, including senior government programming.

While affordable ownership options have value, these are best secured through IZ and encouraging more and broader supply of housing, as well as through partnerships with affordable ownership non-profit housing providers such as Options for Homes and Habitat for Humanity. These alternative housing models can be explored through stakeholder interviews at later stages of this project, particularly if these groups can secure long-term affordability. This should be explored with affordable ownership groups in later stages of the project.

In our view, Richmond Hill would be best served to target new purpose-built rental and affordable rental supply through an incentive program, while also exploring opportunities for supporting non-profit affordable ownership groups.

## 3.3 Examples of Affordable Housing Incentive Programs

The following is an overview of other incentive programs attempting to encourage affordable housing delivery by the development community, including non-profit organizations. Best practices, as well as weaknesses and challenges, were identified to provide a foundation of techniques and processes that have successfully resulted in the delivery of affordable housing in markets like Richmond Hill.

Some of the programs highlighted are implemented through a MCFA and others are implemented through a CIP. While these implementing mechanisms are slightly different in terms of implementation and ease of making amendments, they are nearly identical to each other in all other aspects (see previous section of report). Best practices from a Regional MCFA can therefore provide strong guidance to a future Richmond Hill affordable housing CIP (i.e., the overall structure of Peel Region's MCFA program could be identical to a future Richmond Hill CIP).

### 3.3.1 City of Toronto Open Door Affordable Housing Program (MCFA)

The City of Toronto implemented their Open Door Affordable Housing incentive program in 2016, with a targeted objective of creating more affordable rental options in the City. Key characteristics of the program are:

- Implemented through a Municipal Capital Facility By-Law, which was selected over a CIP due to the easier path to implementation, greater flexibility to adjust the program, and other noted benefits.
- Both non-profit and for-profit developers are permitted, partnerships are encouraged.
- Applies City-wide.
- The program only allows rental units to be incentivised. Mixed-income buildings can apply, however only the affordable rental units can request funding.
- Rental units must be 100% of the CMHC Average Market Rent (AMR) or below, for a minimum of 30 years, and unit sizes are to adhere to the City's

design guidelines for affordable housing. Rental rates must also include utilities, or if the tenant pays utilities that are separately metered, the rents must be adjusted downward by an amount determined by the City. A minimum of 30% of a project's total gross floor area (GFA) must be affordable.

- Of note, the City has been making the requirements more onerous in recent years, as the affordability length used to be 25-years and the required affordable GFA was 20% when the program initially launched. These adjustments were simpler to make with a MCFA relative to a CIP.

- There are income restrictions, where the gross annual income of a households cannot exceed four times the annualized monthly occupancy cost for the housing unit. It is the developer's responsibility to conduct income verification at both initial occupancy and unit turnover.
- There are tenant selection restrictions depending on the depth of affordability (e.g., tenant comes from the City's waitlist, or the developer may select dependant on income verification).
- The program is administered through an annual RFP where developers compete for the available funding, following the below process:
  - Q1: The updated program guidelines and call for application is made available, including the detailed application form
  - Q2: Last day to submit written question
  - Q2: Closing date for applications
  - Q2-Q3: Application review
  - Q3: Staff recommendations are finalized, and staff report drafted
  - Q4: Consideration of staff report by the Planning and Housing Committee
  - Q4: Consideration of staff report by City Council
- There are ongoing requirements of the developer to provide annual reports to the City to confirm compliance with the MCFA, including:
  - Rental rates, turnover, income verification, and other matters.

- If the applicant is found in non-compliance, they must repay the remaining balance of the original funding amount, with interest.

- The City requires detailed information about the project, the developer, as well as financial information (i.e., capital, and operating budget/proforma).
- Proponents may adjust the rental rates of a unit by no more than the prevailing rent increase guideline established each calendar year pursuant to the Residential Tenancies Act, 2006, S.O. 2006, c. 17 or any successor legislation, to an amount not to exceed 100% AMR.

### a. Incentives Offered

The City provides a suite of financial incentives to encourage affordable housing. Incentives include the following:

- Available to all applications that successfully receive a score 70 points or greater (see scoring to follow), the City provides the following relief from City fees and charges:
  - Development charges
  - Property taxes for the length of affordability
  - Planning application fees
  - Building permit fees
  - Parkland dedication fees
  - Expedited planning review. Approval through Open Door does not guarantee Planning Act approvals. However, a dedicated staff is assigned to coordinate and expedite the provision of comments and approvals.
  - Of note, Bill 23 and Bill 134 have recently proposed that many of these fees (development charges, community benefit charges, parkland fees) and charges will be exempted as-of-right for units with rents that are lesser than either of the income-based affordable rent or the average market rent.
- For applicants that exceed the minimum affordability requirements, the City will also provide capital grants. There has been approximately $10 million in

capital grants available annually over the past several years. Applicants must support and justify any request for capital funding and be aware that those applicants requiring smaller amounts of funding will be more competitive, score higher in the process, and be more likely to be approved. Larger requests for funding should be justified with lower rents (below 100% AMR) and longer terms of affordability (beyond the minimum 30 years).

  - Of note, the City's capital grants were funded through the affordable housing component of development charges, which is no longer an eligible charge under Bill 23. This may impact funding availability.

- Applicants can select which incentives they require to make the project viable, including capital grant amounts.
- There are no caps or limits in place for the number of units that can receive exemptions from City fees and charges each year. Similarly, there is no cap or limit on a per-unit or per-project basis for capital grants, however funding for the capital grants is limited. Open door applications are also encouraged to pursue all other sources of available funding. Any additional secured or unconfirmed funding sources should be noted in the application.
- The City also offers public land to the development community at below-market value through their Housing Now Program. To sell or lease land at below market rates, a MCFA or CIP would be necessary as per the *Planning Act*.
  - The City therefore uses the MCFA to provide land to the private sector at a discounted land value to reflect the requirement for affordable housing. The City completes due diligence on each site, completes a site plan, determines the affordability program and city-building objectives, completes a financial feasibility analysis, and completes stakeholder consultation.
  - The City then rezones the property, guarantees the Open Door incentives, and begins early discussions with CMHC financing through the Co-Investment Fund. The land is then offered through a competitive RFP process where developers bid to build the site as designed and with the

required affordable housing. Through this process, the City can secure land value and affordable housing.

  - The level of due diligence completed by the City through rezoning, site plan completion, specified affordability requirements, secured incentives, and other actions, allows the City to provide a greater level of certainty to the development community. This improves the land value that the proponent is willing to pay and also ensures that the social outcomes are best positioned to be successfully delivered.

- An agreement on the development, including the number of units, length/depth of affordability, and other conditions, are registered against the title of the property. Through annual reporting, if a project does not comply with these requirements, the City will be paid back the prorated incentive value provided.

### b. Process

- The City holds an annual call for applications for affordable rental housing. As part of this annual call for applications, the City issues the program guidelines that explain eligibility requirements, the incentives available, definitions and process, and other relevant items.
- The application form requires the applicant to provide qualitative details of the project/building, the affordability and term proposed, capital and operating financial plans, including expected rents, development, operating costs, and other costs. The applicant also needs to identify the incentives being requested such as exemptions and capital grants. Furthermore, the applicant must provide detail on the development schedule, consultation and outreach plans, and other information.
- Applications are then evaluated by the Open Door Review Committee. Successful applicants will meet with City staff and review next steps, including a timeline for City Council approvals. This approval will provide applicants the exemption from fees and charges as they arise as well as ongoing property taxes once the project is complete.

- Within 60 days following Council approval, successful applicants will sign the Contribution Agreement with the City which will include details of the affordable housing to be provided by the applicant and the contributions to be provided by the City.
- Applicants will then continue to work with the dedicated City Planning staff member who will assist with facilitating planning approvals with the goal of streamlining/expediting the approval process.
- As the development application is approved, a Municipal Capital Facility Agreement is approved by Council that allows for the exemption from development charges and property taxes. The agreement is registered on the property's title. A separate implementing by-law is required to exempt the project from property taxes, which is recognized by MPAC.
- Applicants become exempt from all City fees and charges available through Open Door once their application to Open Door is approved. If capital grants are offered, these become available to the proponent at first building permit. Exemption from property taxes begin once the building is complete and a by-law is passed by Council.

### c. Application Review

Open Door applications are reviewed by a committee composed of staff from the Affordable Housing Office, City Planning, Shelter Support and Housing Administration, City Legal, Corporate Finance, and Real Estate Services. The committee reviews and scores all applications utilizing the criteria in **Figure 2**. Applications must receive a score of at least 70 to be approved for fee and charge exemptions, whereas the capital grants are offered based on the merits of the proposal and the availability of funding. There is no clear formula or evaluation criteria that illustrates the methodology for approval of capital grants. The committee will meet with and interview applicants during the review process.

Of note, in 2019 the City retained NBLC to complete a value for money analysis on some of the 2019 applications that were under review to assist with the evaluation process. As part of this assignment, we created a tool that allows the City to evaluate the financial performance and value for money of an application.

**Figure 2: Evaluation Criteria for the Review of Open Door Applications**

| | Criteria | | Available Evaluation Points |
|---|---|---|---|
| 1 | Affordability details (including size and mix of units, and length and depth of affordability as described in the application). | | 10 |
| 2 | Development Qualifications | | 10 |
| 3 | Management Qualifications | | 10 |
| 4 | Corporate Financial Viability | | 10 |
| 5 | Project Design | | 15 |
| 6 | Capital Funding and Financing Plan | | 20 |
| 7 | Operating and Management Plan | | 20 |
| 8 | Development Schedule | | 5 |
| | | **TOTAL** | **100 Points** |

### d. Funding and Units Created

The magnitude of funding and the number of affordable units created on an annual basis through Toronto's Open Door program is unmatched in the Province of Ontario.

- In 2017 the City contributed $85M in grants and fee/charge exemptions, with approved projects also securing $43M in funding from the Provincial and Federal governments. Resulting in the creation of over 1,200 new affordable rental units across 19 discrete projects delivered by both the private and non-profit sectors.
- In 2022 the City contributed $78M in grants and fee/charge exemptions, resulting in the creation of 919 new affordable rental units across 17 discrete projects delivered by both the private and non-profit sectors.
- Phase 1 of Housing Now launched in 2019 with an initial offering of 11 sites that are expected to deliver over 10,000 new homes, including 3,700

affordable rental units. Phase 2 added six new sites in 2020, and Phase 3 added another four sites in 2021.

### e. Other Considerations

The City of Toronto implemented Open Door to help achieve affordable housing targets. Since the annual proposal call began in 2017, the City has been able to leverage well over 800 - 1,000 affordable rental units (at or below 100% AMR) in each year since this process began. The City has been able to leverage many affordable rental units due to the significant funding commitments allocated to the program (typically over $80M annually in combined grants and fee/charge waivers). Additional funding from senior levels of government was also secured by many of the projects (e.g., National Housing Strategy).

The range in subsidy within individual projects is also significant. In 2022 for instance, projects have received between $25,000 per affordable rental unit to $350,000 per affordable rental unit, averaging close to $84,600 per affordable unit overall. This is due to differences between projects such as depth of affordability, affordability term, offering specialized housing, the cost of land, the financial position of the organization, return expectations, and many others. This is consistent with the findings of NBLCs proforma analysis to follow, where the subsidy necessary for a specific project varies widely depending on a range of distinct factors.

The MCFA is also an effective tool to administer the incentive program. The tool allows for flexibility in defining affordability and the process involved with little administrative difficulty in adjusting specific eligibility requirements, if any adjustments conform to the definitions in the enabling by-law. If the by-law does require amending, this is also easier to do relative to a CIP.

The structure of Open Door also allows the municipality to negotiate the grant offered to a specific project through the review and approval process. Given the range in subsidy that might be required for a specific project, this process provides the flexibility to negotiate and adjust funding to the incentive program and specific applicants from year-to-year.

The annual call for proposal is also an effective technique for delivering incentives. This process allows developers predictability in funding availability, overall approval timing, and allows them adequate time to prepare an application and the timing of future calls for proposal (usually same time each year). The process also allows a municipality the opportunity to organize a review committee and review all completed applications within a window of time, allowing for efficient review of proposals, meetings with applicants, and reporting to Council for approval. This also allows developers to compete for limited funding.

Given the depth of affordability being targeted (100% AMR or below) by Open Door, the City of Toronto has incorporated tenant selection and landlord reporting requirements that ensure only qualified tenants occupy the units. This includes requiring that certain tenants come from the centralized wait list, some units be available for tenants with housing benefits, income verification being the responsibility of the property owner, occupancy reporting, and other related items.

Toronto requires a significant number of financial details about a project to assess financial viability, construction costs, the magnitude of incentives being requested and value for money, if a project is leveraging other funding, the capacity of the organization to carry out the project, and other similar considerations. This process is more onerous to administer but ensures that applicants are assessed with a degree of scrutiny prior to municipal funds being released.

### 3.3.2 Region of Peel Affordable Rental Incentive Program (MCFA)

NBLC worked with the Region of Peel throughout 2019 to develop an incentive program to encourage the delivery of affordable rental housing, which was identified as a significant need by their Affordable Housing Needs Analysis and Strategy.

The program is implemented using a MCFA, which was selected due to the ease of implementation and modification relative to a CIP. Key characteristics of the program are as follows:

- Like Toronto, the program is administered through a MCFA. Partnerships between developers and non-profits are encouraged, but not required.

- Only rental housing is eligible, with rents below 135% of the CMHC AMR. This threshold was selected because the needs analysis identified that while many strategies and programs are in place to assist low-income renters, very little is available to assist middle-income renter households.
- The required unit mix for the affordable units is 15% 1-bedrooms, 50% 2-bedrooms, and 35% 3-bedrooms. In many cases, applicants will be required to provide a rounded number to adhere to the unit mix.
- There are no unit size requirements.
- Program applies city wide, but scoring criteria considers location.
- A project must offer a minimum of 5 affordable units. The units must be in the same project, and the entire residential portion of the project must be operated as purpose-built rental for the duration of the agreement (minimum of 25 years).
- A project can be registered as a condominium but operate as a rental. The entire residential portion of the building, which includes both affordable and market units, must operate as rental for the duration of the agreement (minimum of 25 years).
- Projects are encouraged to include a mix of both market and affordable rental units, however only the affordable rental units are eligible for funding.
- Above guideline rent increases are permitted in any market units within the building in accordance with the Residential Tenancies Act. Rent increases for the affordable units would be limited to the terms of the contribution agreement with Peel Region (i.e., rent increase guideline up to a max of 135% AMR for that year).
- In most cases, successful applicants will receive their capital funding at the time of building permit issuance. This may be negotiated depending on the specifics of the project and your demonstration of need.
- There is no requirement for projects to be near completion, but they are expected to advance in a timely fashion. Approved projects will also receive support from Regional staff to advance a development application.

- It is anticipated that tenants for affordable units would be from the general public. Successful applicants would be required to do the following:
    - Publicly advertise and identify appropriate households for the affordable units
    - Verify income on initial rent-up and unit turnover to ensure that household income for prospective tenants does not exceed Peel's middle income.
- In most cases, it is not expected that a rent supplement agreement be incorporated into successful projects. However, Peel may consider this on a project-by-project basis. It will depend on the specifics of the project, depth of affordability provided, and available funding.

### a. Incentives Offered

Rather than offsetting specific fee and charges, Peel Region provided a capital grant for $7.5M through an Request For Proposal (RFP) process. Developers would compete for this amount, submitting a proposal and business plan indicating how much of the total grant they would require for the project to be financially feasible.

The budget amount was originally much smaller, but NBLCs background analysis illustrated that without a more significant budget, the program would be unlikely to attract significant uptake.

The program originally launched as a pilot program, but is now a permanent program expected to run annually. Recent changes brought forward by Bill 23 and Bill 134 that exempt fee and charges from affordable housing will not affect the design of this program, but might increase the number of units created or attract some proposals to pursue deeper affordability (i.e., these exemptions are only available for rents that are lesser than either of the income-based affordable rent or the average market rent). While the local municipalities did not offer any incentives or grants through the initial pilot, it is our understanding that both Brampton and Mississauga are considering adding incentives to the Region's program in future years.

An agreement for the development, which includes the number of units, length/depth of affordability, and other conditions, are registered against the title of the property. Through annual reporting, if a project does not comply with these requirements, the Region will be paid back the prorated incentive value provided.

### b. Process

Like Toronto, Peel Region's program is administered through an annual proposal call. The program is intended to run over a similar timeframe each year, with the following process undertaken:

- Q1: The updated program guidelines and call for application is made available, including the detailed application form
- Q2: Last day to submit written questions
- Q2: Closing date for applications
- Q2-Q3: Application review
- Q3: Staff recommendations are finalized, and staff report drafted
- Q4: Regional Council approves and drafts MCFA and contribution agreements against land title

The Region of Peel requires that developers submit a comprehensive submission package that identifies details about the proponent, partnerships, the project, timeline until development begins, affordability details, full operating and capital proforma, and a business plan that requests and justifies how much capital is being requested.

### c. Application Review

The Region of Peel then conducts an initial evaluation to ensure each project meets the minimum eligibility criteria and, then evaluates each project based on the following scored criteria (**Table 1**).

## Table 1: Peel Region's Evaluation Criteria

| Evaluation category | Evaluation criteria | Score |
|---|---|---|
| **a) Planning approvals**<br>Note: Points in this category do not stack - points are awarded based on most recent status/ planning approval received. | Pre application consultation meeting held | 0 |
| | Official Plan/zoning submitted (complete application) | 4 |
| | Official Plan/zoning approved/in effect | 8 |
| | Site Plan submitted (complete application) | 12 |
| | Site Plan approved | 16 |
| | Full building permit issued | 20 |
| | **Max score** | **20** |
| **b) Average depth of affordability for Affordable Units (units receiving Incentives)**<br>Note: Points in this category do not stack - points are awarded based on specific MMR of Affordable Units. | 135% of MMR by local municipality | 0 |
| | 125–134% of MMR by local municipality | 2 |
| | 115–124% of MMR by local municipality | 4 |
| | 105–114% of MMR by local municipality | 6 |
| | 95–104% of MMR by local municipality | 8 |
| | Below 95% of MMR by local municipality | 10 |
| | **Max score** | **10** |
| **c) Location criteria**<br>Note: One point is awarded per amenity type - e.g. if there are two grocery stores within 800m, one point is awarded. Euclidian buffer will be used to determine proximity.<br>For planned amenities see section 5.11 for required documentation. | Existing or planned Regional or local municipal strategic growth area | 1 |
| | Within 800m of existing or planned frequent bus (15 minute or better service during rush hour) or higher order transit | 1 |
| | Within 800m of an existing or planned year-round fresh food market | 1 |
| | Within 800m of an existing or planned park | 1 |
| | Within 800m of an existing or planned school | 1 |
| | Within 800m of an existing or planned health centre | 1 |
| | Within 800m of an existing or planned recreation centre/library | 1 |
| | Within 800m of an existing or planned early years or child care centre | 1 |
| | **Max score** | **8** |
| **d) Length of time that Affordable Units will be maintained as affordable**<br>Note: Points in this category do not stack - points are awarded based on specific duration of affordability. | 25 years | 0 |
| | 26–30 years | 2 |
| | 31–40 years | 4 |
| | 41+ years | 6 |
| | **Max score** | **6** |
| **e) Accessible units** | Baseline building code requirements (Ontario Building Code) | 0 |
| | 10%+ of the Affordable Units are barrier-free in accordance with CSA B651: Accessible design for the built environment (above Ontario Building Code requirements) | 3 |
| | **Max score** | **3** |

| Evaluation category | Evaluation criteria | Score |
|---|---|---|
| f) Energy & environmental performance | Building energy performance (energy efficiency) meets the Ontario Building Code requirements | 0 |
| | Building energy performance (energy efficiency) exceeds the Ontario Building Code requirements by 15% or greater | 3 |
| | **Max score** | **3** |
| g) Applicant qualifications and project readiness | The following will be considered:<br>• Organization qualifications and experience<br>• Project details and state of readiness | |
| | **Max score** | **20** |
| h) Financial proposal | The following will be considered:<br>• Justification of incentive amount<br>• Net present value of rent difference (between market and affordable rents) and incentive requested<br>• Project Information Spreadsheet<br>• Financial plan | |
| | **Max score** | **30** |
| | **Total score** | **100** |

A review committee with members from planning, finance, real estate, and other relevant departments then review each application, the scoring, conduct interviews and negotiation with individual projects, and ultimately select the preferred applications. Of note, Council has delegated approval to staff to provide more predictability and certainty to applicants.

### d. Funding and Units Created

In the first year of the program, $7.48M was allocated to three separate projects to create a total of 130 affordable rental units, which amounts to approximately $60,000 per unit.

The second round of funding is expected to occur in 2023.

### 3.3.3 Region of Durham at Home Incentive Program (MCFA)

NBLC worked with the Region of Durham throughout 2021 to develop an incentive program to encourage the delivery of affordable rental housing, which was identified as a significant need by their updated Housing and Homelessness Plan.

The program is implemented using a MCFA, which was selected due to the ease of implementation and modification relative to a CIP. Key characteristics of the program are as follows:

- Program characteristics are akin to the Peel Region program. An annual call for proposals competing for a capital grant is issued each year with developers requesting and justifying the subsidy they require.
- Program applies city wide, but scoring criteria considers location.
- The incentive program is for rental housing only geared towards low- and moderate-income households.
- Both non-profit and for-profit applicants are eligible, with partnerships being encouraged.
- Minimum five affordable units, including new construction, conversion of non-residential buildings to rental housing, addition of new affordable units to existing sites, and community housing redevelopment.
- The program is designed to stack with local programs, other regional incentives, and senior levels of government.
- Affordable rental is defined at 100% of the CMHC AMR or below, though preference is given for deeper affordability. The affordability term is a minimum of 25-years.
- The capital funding will be issued 50% at approval through the MCFA, 40% at substantial completion, and 10% at occupancy.
- Applicants must support and justify the request for capital funding in their application. Applicants requiring smaller amounts of funding may be more competitive, score higher in the process, and be more likely to be approved. Larger requests for funding should be justified with lower rents, longer affordability, and other similar considerations.
- Regional staff will also streamline the approval process for all approved projects.

### a. Incentives Offered

Rather than offsetting specific fee and charges, Durham Region provides a capital grant through an RFP process, which was close to $7.5M in the first year of the program in 2023. Developers would compete for this amount, submitting a proposal and business plan indicating how much of the total grant they would require for the project to be financially feasible.

Recent changes brought forward by Bill 23/134 that exempt fee and charges from affordable housing will not affect the design of this program, but they might increase the number of units created or attract some proposals to pursue deeper affordability. For instance, these exemptions would only be available at or below 80% AMR. Some local municipalities also offer incentives through their CIPs. None of these local programs specifically target affordable housing, but they do support other objectives such as intensification, downtown development, and other initiatives.

An agreement on the development, including the number of units, length/depth of affordability, and other conditions are registered against the title of the property. Through annual reporting, if a project does not comply with these requirements, the Region will be paid back the prorated incentive value provided.

### b. Process

Durham Region will issue the At Home Incentive Program Calls for Applications from private and non-profit organizations. Applications will be reviewed and assessed against eligibility requirements and evaluation criteria to select applications for recommendation to Regional Council.

Applicants will be notified if their application is recommended to Regional Council for final approval. Subsequently, successful applicants will enter into a Municipal Capital Housing Facilities and Contribution Agreement with the Region for AHIP funding in exchange for the development of the project and the operation of affordable housing over the term of the Agreement.

As part of the application process, applicants will be required to describe the proposed development plan, outline, and support the requested financial contributions, provide information on all the organizations involved, and address other matters as required by the Region. Details of the proposed project include:

- Total number and size of units
- Number of affordable units
- Estimated rents
- Period of affordability
- Location and physical description of the project
- Accessibility features
- Compliance with in-force planning instruments
- Energy efficient building design
- Development schedule
- Capital and operating financial plans
- Consultation plans and communication
- Development and manage qualification
- Corporate financial viability
- Business plan, proforma, and funding request

The Region's evaluation committee will then evaluate projects based on criteria considering matters such as community need/location, length/depth of affordability, magnitude of subsidy request, has other funding been secured, proximity to transit and amenities, sustainable design features, experience and financial capacity of the organization, and other similar considerations.

Eligible projects will be selected through a comprehensive review process, with special focus on the highest needs for affordable rental housing within the Region at the time of the selection process.  An interdepartmental staff committee will review applications. Following the review, the applicant will be advised of their application's status and whether further information is required.

Within 30 days following Regional Council approval, successful applicants will be expected to sign a Municipal Capital Housing Facilities and Contribution

Agreement with the Region which will include details of the successful affordable housing project to be provided by the applicant and the contributions to be provided by the Region, as well as the applicant's responsibilities to operate affordable housing over the term of the agreement. Where a project does not comply with the terms of the MCFA, repayment of a prorated amount of the grant is required.

#### c. Funding and Units Created

In the first year, Durham Region allocated a total of $7.45 million that resulted in the creation of 88 affordable rental units, which average about $85,500 per unit. This included $5.5M to Riverbank Homes to construct a six-storey and 75-unit affordable rental building in Oshawa for seniors and persons with disabilities. Kindred Works received the remaining $1.95M to construct 13 affordable and 28 market units in Pickering targeting indigenous peoples, recent immigrants, and persons with disabilities.

### 3.3.4 City of Peterborough Affordable Housing Incentive Program (CIP and MCFA)

The City of Peterborough is unique in that they deploy both a CIP and a MCFA as part of an incentive program to developers to encourage more affordable housing. The purpose of the program is to stimulate the development of affordable housing in the City of Peterborough. Of note, the City also has a separate CIP to encourage revitalization in the City's Central Area, with no focus on affordable housing. The incentive program was most recently amended in 2012.

The City utilizes the CIP to offer grants that refund municipal application fees and charges, development charges, and property taxes. The City utilizes the MCFA to provide full property tax relief and development charge exemptions. Both mechanisms are used collectively to encourage affordable housing, however we understand the City is seeking to amend their program and use only the MCFA as a formal program review occurs next year. Key Characteristics of the program are as follows:

- Both for-profit and non-profit organizations can apply.
- Both rental and ownership tenure is permitted, however only non-profit organizations are permitted for affordable ownership housing. Not all incentives will apply to ownership groups (i.e., property tax relief).
- Rental projects must remain affordable for at least 20 years inclusive of a five-year phase out.
- Affordable rental housing is defined as 100% of the CMHC AMR for CIP incentives, and 90% of the CMHC AMR or below for the MCFA property tax exemption.
- Affordable ownership housing is defined as a purchase price at least 10 percent below the average resale purchase price.
- Applicants can seek other funding sources from senior levels of government. The project can also stack the incentives available through the CIP and MCFA.
- No restrictions on tenant selection requirements.
- The MCFA applies City-wide. The CIP includes the majority of the City, excluding rural areas that are not currently built-up with adequate services and transit.
- Mixed income projects are eligible; however, the incentives only apply to the affordable units.
- Applicants must submit both qualitative (e.g., project and applicant details) as well as quantitative (capital and operating budget/proforma) details.
- Application and approval occur on a rolling basis, not through an annual RFP call.
- A recommendation on the application is made by Staff and forwarded to City Council, along with a Contribution Agreement signed by the applicant. If the application is approved by Council, the Contribution Agreement is then executed by the City. Final decisions with respect to applications and the allocation of funds are made by City Council.

- Construction must commence within six months of approval and be completed within one year of approval (with some exceptions).

### a. Incentives Offered

**MCFA Incentives:**

- **Property Tax Exemption:** Approved projects will be fully or partially exempt from paying property taxes for up to ten years. Similar to the process of Toronto's Open Door, an implementing by-law is necessary to designate the property as a Municipal Capital Facility to permit the tax exemption.
- **Development Charge Exemptions:** Depending on the mechanism selected, the City will either waive development charges through the MCFA or offer an equivalent grant through the CIP.

**CIP Incentives:**

- **TIEG:** A ten-year TIEG where the increase in property tax as a result of the development is refunded to the developer annually through a grant. 100% of the increase in property taxes is refunded for the first five years, reducing by 20% each year after that. After ten years, the project is required to pay the full property tax rate. The amount of the tax grant shall not exceed the total value of the work that resulted in the reassessment. This program would not exempt property owners from an increase in municipal taxes due to a general tax rate increase or a change in assessment for any other reason after the property has been improved, except by reason of an assessment appeal.
- **Development Charge Grant:** A grant is offered to offset the cost of development charges, subject to the availability of funding. The grant will be provided at the time of building permit. Continuation of the Development Charges Program requires funding through the annual Capital Budget and is subject to City Council approval.
- **Municipal Fees and Charges:** This program would waive most municipal fees normally required for planning approvals (e.g., zoning by-law amendments, minor variances, severances, site plan control, cash-in-lieu requirements, etc.). The City will waive fees for a planning approval at the

time of application. Any cash-in-lieu requirements will be waived at the time approvals are granted.

### b. Stacking of CIP and MCFA Exemptions

The affordability requirements differ slightly, with the CIP requiring 100% AMR and the MCFA requiring 90% AMR. Most projects pursue both programs, and therefore provide rents at 90% AMR. City staff have also indicated that most projects receive all incentives available through the CIP and MCFA, in addition to capital funding through senior levels of government.

The MCFA is used to offer the property tax exemption for ten years, at which point the TIEG offered through the CIP kicks in for the following ten years. Projects therefore receive up to 20 years of property tax relief. While the MCFA allows the City to offer up to ten years of property tax relief and to fully or partially reduce property taxes, this flexibility has not been utilized. All projects approved through the program have therefore been granted a full property tax exemption for ten years in addition to the ten-year TIEG. The CIP is also used to offer exemptions for municipal fees and charges.

While the City can use either the MCFA or the CIP to offset development charges, City staff have indicated that the MCFA is the primary tool that is used. This is because the MCFA allows the City to waive the payment of this charge, which is then funded through the property tax base over time. The CIP offers a grant to refund the payment of a development charge, which requires that the CIP have an adequate budget to offer this grant.

### c. Incentive/Contribution Agreement

- Approval through the CIP and MCFA requires the execution of a contribution agreement that will be registered on title. If a rental building that is receiving financial incentives is sold, the new owner of the rental building must enter into an agreement with the City ensuring that the rental units stay affordable for the remaining duration of the 20-year affordability period.

- The agreement will include a list of the benefits being conveyed to the housing provider, including the estimated present-day monetary value of all incentives.
- If the housing provider does not carry out its obligations under the agreement, the housing provider shall pay to the City the full amount of benefits conveyed under the agreement, together with any applicable costs and interest.
- The housing provider is required to report on the rents achieved at the building annually to ensure compliance.

### d. Funding and Units Created

Since 2013, the City has created 419 affordable units, averaging approximately 45 units per year over this time. A breakout by year is provided below:

- 2013 40 units
- 2014 41 units
- 2015 93 units
- 2017 3 units
- 2018 7 units
- 2019 74 units
- 2020 13 units
- 2021 66 units
- 2022 82 units

The average number of units created per project is also modest, typically around 23 units on average, with no single project exceeding 65 affordable units. The City does not provide aggregate reporting on the magnitude of incentive provided to each of these projects, however the City has indicated that most projects receive a funding amount of around $80,000 per unit, exclusive of any funding available from senior levels of government. Though it was identified that funding amounts are expected to increase given rising construction costs and interest rates.

### e. Other Considerations

Peterborough offers a significant package of financial incentives relative to other municipalities in Ontario. The impact of the incentive package has, however, been modest due to the deep minimum affordability requirement (90-100% AMR) and also because the market in Peterborough for multi-family development is fairly modest, which limits the number of active developers that might consider pursuing the program. The City also notes that most applicants to the program are non-profit developers, due to the depth of affordability required and general lack of private developers active in affordable housing.

Like many incentive programs in Ontario, Peterborough offers a fixed subsidy amount. While easy to administer, this limits participation to only projects where that subsidy is sufficient. If a project requires slightly more, there is no avenue for that developer to request additional funding and will likely not apply to the program. Similarly, there may be instances where the City over-subsidizes a project. This contrasts with the City of Toronto program, where developers can request and justify the financial support they require.

The combined effect of the CIP and MCFA has been effective at encouraging affordable housing delivery through the waiving of application fees, development charges, and offsetting property taxes for up to 20 years. Despite this significant package of incentives, the City has noted that senior level government funding is also often required for projects to be successful. The program also applies to most of the City to cast as wide of a net as possible while also ensuring that new affordable housing will locate in areas that are services by amenities and transit.

The City also identified several challenges with the program:

- The program does not run through an annual RFP call or other similar process. Applicants can submit at any time and applications can be approved at any time. Funding is available on a first-come first-serve basis. Staff have indicated that this is not preferred as it is difficult at administer and coordinate review of application and receive approval from Council due to the unpredictability of applications.
- Many applicants also require senior level capital funding to result in a viable project, which is in part due to the depth of affordability required and the lack of capital funding from the City. The new OPHI funding, which is largely replacing the IAH program, only permits non-profit participants, which will further impact the ability of for-profit developers to participate in the City's program.

- Using both the MCFA and CIP can be onerous from an administrative perspective, as separate agreements and by-laws are required.
- There is a need to better evaluate applications from a financial perspective, especially when funding is made available to for-profit developers. Applications are largely assessed from a qualitative perspective at this time.

Finally, it is acknowledged by City staff that it was not a strategic direction to use both the CIP and MCFA collectively. Rather, adjustments to the CIP were required to improve program performance, but the City did not have the budget or resources to complete a comprehensive review or to amend the existing CIP that would have required public meetings and other analyses. Instead, they amended the already in-force MCFA to be able to use both until a formal review of the program can be undertaken.

### 3.3.5 City of Cambridge Affordable Housing CIP

The City of Cambridge approved a community improvement plan specifically for affordable housing in 2016. The CIP identifies that the primary barrier to providing affordable housing is financial feasibility and has implemented several incentives to address this barrier.

Further, Cambridge City Council has determined that encouraging the creation of affordable housing requires a more participatory role by the City. There is no single planning tool, municipal investment project or Council decision that by itself will result in the elimination of the wait list for affordable housing in Cambridge. It will be a suite of tools and programs that provides enough incentive to developers of affordable housing. All programs and policies provided in this CIP will complement of the Region of Waterloo as Service Manager.

Eligibility criteria include:

- Both non-profit and for-profit organizations are eligible, however different incentives are available to each (see section to follow).
- New development, redevelopment of underutilized properties, or conversion from non-residential uses.

- The CIP Project Area is generally confined to all Regeneration and Node areas and the Core Areas. These areas cover the majority of where intensification is expected in Cambridge.
  - The Community Improvement Project Area was selected because the Regeneration and Node Areas and Core Areas are where affordable housing development should be directed. Nodes tend to be at major intersections and offer a mix of housing, employment and services which are served by transit. Regeneration Areas are developed areas within the city where a transition from one use to another is anticipated. These areas are ideal for affordable housing development because of the access to a broad range of services including: employment; retail; schools; places of worship; social services; and recreational opportunities. Similar advantages for affordable housing also exist in the Core Areas.
- Both rental and ownership projects are eligible.
- Affordable housing is defined as 100% of the CMHC AMR or below for rental housing and below the average resale value as reported by CMHC for ownership housing. The values reported for the Region of Waterloo is used.
- Affordable rental term is a minimum of 20 years but within which time, requirements may vary and will provide for a 5-year phase out period.
- Projects can be entirely affordable or contain a mix of market and affordable units. There is no minimum project size or minimum proportion of affordable units in mixed-income buildings.
- Property owners may receive additional funding from other incentive programs at all levels of government if all eligibility requirements are maintained.

### a. Incentives Offered

### For-Profit Sector

- Exemptions from development application and building permit fees (including sign permit fees)

- Development charge deferrals
- Tax Increment Equivalent Grant (“TIEG”)

**Non-Profit Sector**

- All exemptions are provided to for-profit organizations, subject to meeting all qualifying requirements.
- Outside of the CIP area, Council will consider incentives to be provided to Habitat for Humanity projects.

Once the CIP Agreement is executed, the project will be exempt from all municipal application and permit fees noted above. The program notes that this will not result in the need for new capital, as certain municipal fees will simply not be collected.

The City defers the payment of development charges for approved projects for 20 years after the issuance of building permit. The development charge will immediately be due should the project no longer be affordable housing. The City will be responsible for confirming a project remains affordable housing and that the development charges are paid in full at the conclusion of the 20-year period. Each property owner is responsible for the Region and Educational development charges.

This program would provide a grant to property owners who undertake the development or redevelopment of their properties that would result in a reassessment of the properties. The program also only applies to the local portion of municipal taxes (Regional and education taxes still apply).

The TIEG program would be applied over a 20-year period. The grant amount for this program shall not exceed 100% of the increase in the City portion of the taxes in years one to 15, decreasing to 80% in year 16, 60% in year 17, 40% in year 18, 20% in year 19, with the owner paying the full amount of taxes in year 20.

The TIEG was considered because it still allows the municipality to collect the “pre-development” tax amount and will result in increased tax assessment and payment over the long-term once the TIEG expires in addition to the benefit of providing affordable housing. Approved projects would undergo an assessment of taxes prior to and after building completion. The difference between the City taxes prior to the affordable housing project being undertaken and the City taxes after the completion of the affordable housing project would be the portion eligible for a grant under this program. The assessed value of the "pre-development" property is assessed at the time of building permit.

This program would not exempt property owners from an increase in City taxes due to a general tax rate increase or a change in assessment for any other reason after the property has been improved, except by reason of an assessment appeal.

In a mixed-income project, the incentives will only apply to the affordable units of the project. Therefore, only the development charges applicable to the affordable units will be deferred. Similarly, application fees and the TIEG will be provided based on the proportion of affordable units in a project.

The CIP also waives development charges for Habitat for Humanity projects (i.e., non-profit affordable ownership).

### b. Funding and Units Created

This Community Improvement Plan is administered by the City of Cambridge. The incentive programs offered through the Affordable Housing CIP are intended to be sustainable over a long period of time. Exempting building and planning application fees will have a nominal impact on the overall City revenues. While development charges will be deferred in the short term, they will be repaid in full after a 20 period. The tax increment grant encourages the redevelopment of a vacant or underutilized property and will result in an increase in its assessed value.

Two affordable projects have gone through the program as of 2019 (latest reporting date), as detailed below:

- 175 Hespeler Road: A five-storey and 34-unit rental apartment building by Home Concept Property Management, a for-profit developer that is affiliated with a local non-profit housing provider Housing Cambridge.
- 195 Hespeler Road: A mixed-use and mixed-income development consisting of a six and eight-storey building and 128 total rental apartment units, of which 33 will be affordable.
- Housing Cambridge is also operating the affordable housing portion in one of two apartment towers at this location, where 55 affordable rental units will be delivered. The Region of Waterloo has also agreed to offer the project Regional Development Charge grant.

City staff have indicated that other than these two projects, there have been no other applications through the CIP. Both projects also received other significant funding from senior levels of government. Take up has therefore been very modest.

### c. Application Review

The applicant is permitted to apply for one or all of the incentives offered through the program. Other notable items required include:

- Expected construction start and end dates
- Suite mix, tenure, and pricing information
- Project capital and operating budget
- Current property tax information and assessed value
- Confirmation of secured and/or expected funding from the Region and senior levels of government

There is no formal application review or scoring that occurs. Generally, given the limited interest the program has received, any applicant that meets the qualifying requirement is recommended for approval by staff, which is then taken to Council for final approval.

The City of Cambridge has elected to take a leadership role in encouraging affordable housing, while also encouraging applicants to seek funding from senior levels of government and the Region's grant for development charges. The CIP has attempted to address upfront capital costs by exempting projects from application fees and charges and deferring the affordable units from paying development charges for 20 years. While development charge deferrals assist with alleviating some of the upfront capital costs of a project, they must still be paid eventually. The CIP also addresses the long-term operating costs of a project through the 20-year TIEG, which is the most powerful incentive offered through this program. While the CIP encourages applicants to also apply for the Region's development charge grant, there is no certainty that a project will receive this funding. Notwithstanding this, both projects approved through this CIP have received the Regional grant.

Given the relatively modest incentive package offered, and Cambridge's relatively modest apartment market, the success of the program has also been modest. Only two applications have applied to the program, and both have been approved. Given the modest amount of upfront capital made available, the program largely requires that applicants be able to purchase land and provide the upfront equity required for the project to be viable. The program also requires an affordability level at 100% of AMR for at least 20 years. Funding availability is less of a concern with this CIP as the program is built around the City foregoing or delaying the payment of fees and charges, rather than providing grants or direct subsidies. The primary reason for selecting a CIP was the ability to use a TIEG, which was attractive to finance staff and Council over property tax exemptions or capital grants.

The City's CIP also does not apply City-wide, but rather to specific locations, which is rare for affordable housing incentive programs. The City's built fabric consists of a select number of urbanized areas appropriate for intensification, which is surrounded by low-density subdivisions and rural areas. The City wanted to ensure that affordable housing would be directed to locations supported by adequate services and transit.

### 3.3.6 City of Welland Affordable Housing CIP

The City of Welland has recently (July 2023) approved a new affordable housing CIP. Given the recency of the program, there has been no uptake and details on certain elements of the program such as application and review criteria are not currently available. The following are key details of the incentive program:

- The program seeks to incentivize the development of affordable rental housing at or below 80% of the CMHC AMR. An eligible project must create at least 5 new affordable rental units and a minimum of 30% of the total residential units built must be affordable.
- The CIP seeks to encourage the supply of new affordable rental housing, either as a new purpose-built rental building and additional residential units. The program also targets the renovation of older rental housing.
- The program applies to the vast majority of the municipality where growth and development are directed by the City's Official Plan.
- Approval authority for the incentives are deferred to the Director of Planning and Development Services. Only the disposal of land for affordable housing requires Council approval.
- For new affordable purpose-built rental housing, the following incentives are available:
    - **TIEG:** The City will refund between 60% - 80% of the increase in property taxes generated through redevelopment or the renovation of existing buildings (Table 2).

**Table 2: City of Welland's TIG**

| Percentage of Affordable Units[1] | Tax Increment Percentage | Duration |
|---|---|---|
| 30% - 54% | 60% | 10 Years |
| 55% - 79% | 70% | 10 Years |
| 80% - 100% | 80% | 10 Years |

[1]For assessment, percentages will be rounded down to the next whole number. E.g. 54.6% will become 54%

    - **Affordable Housing Study Grant:** To encourage the creation and maintenance of affordable rental housing, subject to availability of funding, a grant equal to 50% of the cost of studies or plans up to a maximum of

$7,500. This is provided to cover the costs of studies for the development and is provided before building permit.

- **Affordable Residential Grant:** A maximum grant of $20,000 per affordable dwelling unit, to a maximum of $35,000 per property. This grant will be repaid if the applicant does not adhere to the agreed upon terms (i.e., treated as a forgivable loan).
- **Extended Benefit Grant:** A maximum of $6,000 per affordable unit per year is available for those who seek to deliver deeper affordability (20% - 60% AMR). The grant will cover the difference between the affordable rent (80% AMR) and the deeper affordability noted above, up to the maximum of $6,000 per year, for a period of five years.
- **Municipal Fee Grant:** For eligible affordable rental housing projects, a grant of up to 100% of fees paid for required planning and building applications may be provided. The grant may apply to most fees related to eligible development, including, but not limited to: Official Plan and Zoning Amendments, consents, minor variances, site plan control, and building permits.

- For additional dwelling units, the affordable residential, extended benefit, and municipal fee grants are available.
- The CIP also contains a Special Lands Program, which will enable to the City to dispose of suitable properties for affordable housing as they become available.

### 3.3.7 Key Findings

### Effective CIPs Need Adequate Funding

The largest and most successful programs in recent years have been implemented by the City of Toronto, Peel Region, and Durham Region. These programs are funded with an annual municipal commitment of $80M, $10M, and $7.5M, respectively, in addition to funding secured by developers through senior government funding programs such as the National Housing Strategy. These programs are all structured similarly, where capital funding is allocated through an annual proposal call. Applications are then evaluated against a set of criteria, with funding allocated on a competitive basis and through negotiation with individual applicants, which also includes a review of the developer's proforma.

The above is effective because it allows the applicant to request the level of subsidy they require for their project to be viable. This ensures that valuable municipal resources are efficiently deployed, and a stream of affordable housing is created. These programs all have set eligibility criteria that must be met, in addition to a list of 'preferred' criteria that are used to evaluate applications against each other. Preferred criteria include factors such as energy efficiency, timeline to construction, length and depth of affordability, locational criteria, and many others.

The other programs highlighted are more typical CIPs, where a set package of incentives are offered such as grants covering development charges, planning application fees, building permit fees, and property tax grants. Applicants can apply whenever they want, and if they meet the base eligibility criteria, they are approved on a rolling basis subject to available funding. The primary issue with this structure is that no single subsidy amount will work for every project. Every project is unique (e.g., high or low-rise construction, underground or surface parking, deep vs shallow affordability, mixed-income vs all affordable, etc.) and will require a unique funding amount. Many of these programs are also underfunded, meaning they are incapable of offering enough funding for a project to be viable. In this situation, the funding offered is a 'piece of the puzzle' and unlikely to result in viable outcomes on its own, therefore requiring developers and non-profits to seek out other funding sources beyond the CIP. Often, this results in projects tying up funding through the municipal CIP, but not advancing to construction due to a lack of other funding sources. Notwithstanding the above, it is possible to create a CIP structure that includes more robust funding, flexibility, and competition, which will be explored with stakeholders and the City in later phased of the work.

**Location of CIP**

Another relevant finding is that most programs apply City-wide. Affordable housing is a broad objective, and therefore most programs do not limit the geographic extent of the program. Rather, programs like Toronto, Peel Region, and Durham Region establish preferred locational criteria and use this to score and rank applications.

### Coordination Between Local and Regional Programs

Regional governments are also taking an increasingly active role in the affordable housing space. Peel Region and Durham Region have implemented well funded incentive programs, which are also receiving incentive funding from the local municipalities, rather than these local communities creating their own separate program. Separate programs at the local and upper-tier level duplicate administrative burdens and creates increased risk and complexity for applicants (e.g., must apply to more than one program, risk of being approved by one and not the other, etc.). Ideally, lower- and upper-tier municipalities can coordinate through a single affordable housing program.

### Targeted Goals of a CIP

None of the programs evaluated have multiple objectives like being considered by Richmond Hill (i.e., affordable housing, additional residential unit, retrofit of older buildings, and sustainable design). Incentive programs tend to be very targeted, and often do not have enough funding to support so many expensive objectives. Rather than requiring a high level of sustainable design for example, Peel, Durham, and Toronto include this as a preferred criteria that scores an application higher if they pursue this. Other programs acknowledge that funding through the National Housing Strategy will be necessary for projects to advance, and these programs all require heightened sustainability and accessibility features.

### Municipal Capital Facility Agreement (MCFA)

Finally, while MCFAs are increasingly being used due to the ease of implementation and flexibility to amend the program over time, a CIP can mimic the structure of any of these MCFA programs.

## 3.4 Additional Residential Unit Incentive Programs

NBLC surveyed 16 programs across Ontario that offer incentives to encourage second suites. See **Appendix A** for more information on all programs surveyed. All programs generally had similar characteristics, which include:

- All programs are seeking the creation of an additional residential unit (ARU) on the property of an existing home.
- ARU are inclusive of a wide variety of built form, such as basement suites, a self-contained rental unit within the above-grade portion of a home, laneway suites, garage conversions, and other variations. The goal is to create a new rental unit within a privately owned home. Two units per home/dwelling are now permitted as by Richmond Hill by-law and new Provincial legislation.
- Incentives are often offered to encourage private homeowners to create a rental unit. Most programs surveyed offered an interest-free or forgivable loan, with some also offering a grant. The City cannot collect funds for these types of units as additional residential units are not applicable for development charges related to new builds.
- Program requirements vary widely in terms restrictions on how the created unit can be rented. Some programs require the unit be rented at an affordable rate, some have no restriction on rent but require a long-term tenant occupy the space, hence short-term rentals like Airbnb are prohibited. Some programs have no restriction on rent at all based on the understanding that creating a new low-cost rental unit is a worthwhile objective on its own.
- Some programs offer a low-interest loan that becomes forgivable if certain conditions are met.
- Loans typically range between $10,000 and $30,000 per applicant, dependant on the cost of the project.
- Most programs are also supported by zoning and other land use changes to legalize second suites and allowing these projects to advance without costly and uncertain approvals such as zoning by-law amendments or minor variances.

- Second suite programs have had modest success in Ontario.  This is due to several factors:
  - Many homeowners simply do not have any interest in creating a rental unit within their home, regardless of any subsidy available.
  - If program requirements around affordability are too strict, some homeowners would prefer to finance their own project without rental restrictions, or not create a rental unit at all.
  - All suites must be legal[10], which is expensive to achieve. Many communities in Ontario have illegal second suites, which can result in unsafe living conditions. Often the cost of legalizing a basement suite can be cost-prohibitive, even with a loan or grant from the public sector.
  - It is also challenging to add two additional residential units in an existing primary dwelling/building (totaling three units) due to existing building code requirements. Incentives, in addition to legislation that exempts development charges, may assist with take-up of retrofits and new builds.
  - It is also important to note that not all houses can accommodate or are appropriate for a second unit.

Notwithstanding the above, relative to constructing new rental housing, which is expensive, requires significant resources, and takes several years to implement, the creation of second units can be a quick and cost-effective way to increase the supply of rental housing that leverages the existing private housing stock. This also provides an opportunity to expand affordable rental options in locations where new affordable housing development is expected to be modest, such as Richmond Hill's existing low-density communities. The addition of a second unit can also be attractive to many homeowners as it provides a source of rental income, which is likely to be viewed.

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[10] Units would have to comply with official plan policies and zoning by-law provisions, and meet requirements of the Building Code and Electrical Safety Code.

## 4.0 Affordable Rental Proforma Analysis

This section provides a proforma analysis that identifies the likely range in subsidy necessary for a for-profit and non-profit developer to advance affordable housing in the City of Richmond Hill. This analysis will assist the City with understanding the level of subsidy necessary for a future incentive program to be successful. If an incentive program is advanced without an adequate budget, or if the package of incentives offered to an individual project is insufficient and inflexible, developers are unlikely to apply and take-up will be limited.

## 4.1 Proforma Methodology for Rental Housing

### 4.1.1 Non-Profit Developer

Rental developments produce a cash flow through the rental income that is collected, in addition to other revenue sources such as parking and laundry charges. In addition to revenues, the building's cash flow will also encounter operating costs related to items such as property maintenance and management, property taxes, utilities, capital repairs, expected vacancy loss, and many others. Subtracting the operating costs from gross revenues results in what is referred to as the Net Operating Income ('NOI').

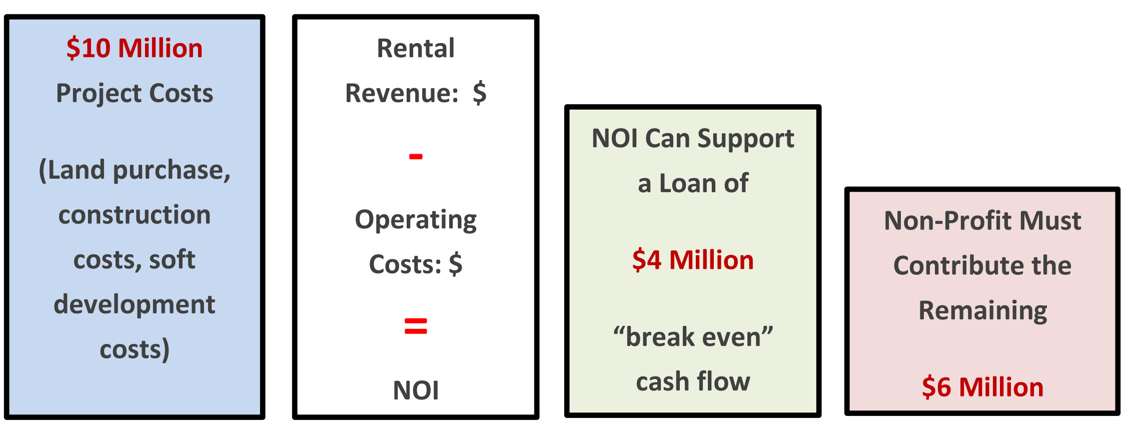
If the NOI is positive, the building will produce an annual cashflow, which can be used to service debt. A lender will evaluate the building's projected cashflow, the risk of the project, and determine the proportion of the building's cash flow that can be used to service debt. Since non-profit groups do not require a profit, they are seeking to use as much of the cash flow as possible to service debt, allowing them to secure a larger loan. As illustrated by **Figure 3** to follow, all project costs that cannot be financed must be provided as equity by the non-profit (i.e., cash). Given that most non-profit groups are not well capitalized, most will attempt to fill this equity requirement by securing government grants as well as fundraising/philanthropic efforts. All real estate projects will require equity to advance, which is one of the primary barriers for non-profit organizations to advance new real estate projects.

This is like the process of buying a home, where a bank will evaluate a household's income, determine how much of that income can be used for paying the mortgage, consider the household's credit score, and other similar considerations when determining the mortgage amount they can offer. The difference between the purchase price and a household's mortgage represents the downpayment they must provide.

In recent years, increases in construction costs and interest rates have made it more difficult for non-profits to develop new housing. Rising construction costs increase overall project costs while rising interest rates reduce the borrowing power of the building's NOI, cumulatively resulting in significantly higher equity requirements. Rising land values in the GTA have also played a significant role, where these non-profit groups simply cannot afford to pay market rates for developable land. This is exacerbated by the fact that most of these groups have limited financial resources. Incentives can directly address this issue by:

- Offering operating incentives such as property tax relief that can reduce operating costs and increase the loan amount.
- Offering capital incentives such as waiver of development charges, and grants that reduce the total project costs.
- Offering land, which would also reduce total project costs for groups that do not currently own a development site.
- While many incentive programs deliver incentives near the start of construction (e.g., at building permit), many groups will also require seed funding at earlier stages of the project to pay for necessary studies and due diligence and to advance a development application and development plans.

**Figure 3: Non-Profit Affordable Housing Economics Example**



Within the context of **Figure 3** above, non-profits may pursue a project that is 100% affordable housing, or they may include market rents through a mixed-income development. Including market rents will increase the project's cash flow and borrowing capacity, therefore reducing equity requirements.

To help identify the order of magnitude financial gap that might be encountered by these groups, we have run several cash flow proforma models to illustrate the upfront capital required for a project to move forward. The analysis assumes that a non-profit will be able to cover 30%[11] of the projected equity requirement through a cash contribution but is unable to fund the remaining amount and will seek incentives/funding for support.

### 4.1.2 For-Profit Developer

Relative to non-profit organizations, a for-profit developer will inject the required equity in a development project (e.g., land acquisition and the up-front equity not covered by the construction/permanent loan) to earn a cash flow over the life of the building. Developers often use an Internal Rate of Return ("IRR") metric to assess the viability of a rental development opportunity. The IRR assesses the rate of growth that an investment is expected to generate by accounting for the initial capital investment, the cash flow of the building over a defined number of years, and the expected asset value in the future (**Figure 4**).

[11] Actual equity a non-profit might have will vary widely in practice.

**Figure 4: For-Profit Affordable Housing Economics Example**

| Market Rate Project | | | Affordable Housing Project | | |
|---|---|---|---|---|---|
| Year 0 | -$6,000,000 | Expenditure | Year 0 | -$7,000,000 | Expenditure |
| Year 1 | $200,000 | Cash Flow | Year 1 | $100,000 | Cash Flow |
| Year 2 | $250,000 | | Year 2 | $150,000 | |
| Year 3 | $300,000 | | Year 3 | $200,000 | |
| Year 4 | $300,000 | | Year 4 | $200,000 | |
| Year 5 | $355,000 | | Year 5 | $255,000 | |
| | $9,500,000 | Exit Value | | $8,000,000 | Exit Value |
| | 11.3% | IRR | | 4.3% | IRR |

The goal is to provide a market return (i.e., the affordable project to produces an IRR of 11.3%)

If the profitability is sufficient, developers will allocate the required equity and earn a return on that investment over time. In the example above, the developer would earn an 11.3% return if they pursued a market rate rental project. When affordable housing is included, the NOI is reduced because the rental revenue is negatively impacted. This has several implications as illustrated by **Figure 4**:

- The NOI is lower, meaning less debt is secured. This requires more up-front equity as project costs are the same between an affordable and market project.
- The cash flow over the life of the building is also reduced, as the rental revenue is lowered, without any decrease in operating costs.
- Assuming affordability requirements remain over the long-term, the building will also have a lower future value.

Cumulatively, the above will reduce the IRR of the building. As illustrated by **Figure 4**, the IRR is reduced from 11.3% if the project was entirely market rate to 4.3% if affordable housing is included. Because incentive programs are voluntary, where a developer will choose whether or not they participate, an incentive program should seek to completely offset the negative impact of the affordable housing requirement by offering incentives that lower project costs. If this does not happen, and there are no policy levers requiring that developers provide affordable housing, they are unlikely to willingly participate.

Our methodology therefore provides several cash flow proforma models that solve for the project IRR at both 100% market rates and then under a number of affordable housing scenarios. We then determine the amount of subsidy necessary for the affordable housing scenario to match the IRR of the market scenario.

Notwithstanding the discussion above, we also acknowledge that in many situations, the profit achievable through a market rate rental project is not sufficient for a project to advance. Studies by NBLC and others[12] have illustrated that rental projects often produce low returns, in some cases below or similar to the return that is available through risk free investments (e.g., bonds, GICs, lower risk exchange-traded fund (ETFs)). Where reasonable returns can be secured through a rental development, they are almost always significantly below the profit achievable through a condominium development. Condominium projects often produce higher and quicker returns, making them more attractive investments relative to rental tenure. Similarly, condominium projects produce higher land values, making it difficult for rental developers to compete for land. This explains why there has been so little investment in purpose-built rental housing in recent years.

Given the above, it is possible that matching the IRR of the affordable scenario to the market scenario will not be sufficient, because the market scenario does not produce a viable outcome. As such, we provide an additional scenario where the affordable IRR must match an 8% IRR, which we consider a more reasonable viability threshold for new rental development. In many situations, a rental developer will require a higher return than this.

[12] February 2023. BILD, FRPO, Finnegan Marshall, UrbanNation. Purpose-Built Rental Housing in the Greater Toronto Area. https://www.bildgta.ca/wp-content/uploads/2023/02/Purpose-Built-Rental-Whitepaper-FINAL.pdf

## 4.2 Scenarios and Key Assumptions for Proforma Testing

Working together with Richmond Hill, the following built form assumptions were developed for testing within various market/non-market proforma iterations. The built form concepts are intended to capture a variety of building scales and characteristics, including structured above grade parking in one instance, and wood frame construction in another. NBLC surveyed recent market activity to benchmark fair market rental rates, amongst other key assumptions noted throughout the financial analysis.

**Table 3** below highlights the key built form and market assumptions that will be utilized for financial testing.

**Table 3: Built Form and Market Assumptions**

| Development Statistics | | | |
|---|---|---|---|
| | Modest Apartment/ Stacked Townhouse | Typical Mid-Rise Rental | High-Rise Rental |
| **Project Stats** | | | |
| Project GFA (sq.ft.) | 47,361 | 83,959 | 279,862 |
| Height (storeys) | 4 | 8 | 28 |
| Units (#) | 55 | 88 | 300 |
| Parking Ratio | 1.1 | 1.0 | 0.8 |
| Total Parking | 62 | 89 | 249 |
| Surface Parking Spaces | 15 | 10 | 10 |
| Podium Parking Spaces | 0 | 0 | 150 |
| Underground Parking Spaces | 47 | 79 | 89 |
| **Market Inputs** | | | |
| Average Market Rent | $2,601 | $2,885 | $2,819 |
| Average Market Index Rent | $3.55 | $3.56 | $3.56 |
| Parking Stall Rent | $150 | $150 | $150 |
| Operating Opex | 35% | 35% | 35% |
| Vacancy and Bad Debt | 5% | 5% | 5% |
| Market Cap Rate | 4.25% | 4.25% | 4.25% |

Richmond Hill also developed four separate development scenarios for each of the three built form concepts shown in **Table 4**. The development scenarios are based on the proportion of units being affordable, and they are further segmented by the for-profit and non-profit sector. The details of these scenarios are provided below:

- Private Sector (for-profit) Developer:
  - Market:  The project is developed at fair market rates.
  - Affordable Rental Housing (ARH1):  10% of units are provided at 125% of the CMHC AMR for a period for 25-years.
  - Affordable Rental Housing (ARH2):  5% of the units are provided at 80% of the CMHC AMR for a period of 25-years.
- Non-Profit Developer:
  - Affordable Rental Housing (ARH3):  Two scenarios where 100% and 50% of the units in the project are provided at 80% of the CMHC AMR in perpetuity (i.e., affordability term does not expire).
  - Only the modest apartment and mid-rise apartment scenarios are evaluated for a non-profit build given that these groups typically only undertake smaller projects due to a lack of financial and other resources.

**Table 4**: **Development Scenarios and Housing Sector**

| Affordability Scenarios | | | | |
|---|---|---|---|---|
| | Market | ARH1 Private Secotr | ARH2 Private Sector | ARH3 Non-Profit |
| **Project Positioning** | | | | |
| Affordable Share | 0% | 10% | 5% | 100%/50% |
| Affordable Rate | - | 125% AMR | 80% AMR | 80% AMR |
| Average Affordable Rate | - | $1,829 | $1,171 | $1,171 |
| Affordability Period | - | 25 Years | 25 Years | Perpetuity |
| **Financing** | | | | |
| Construction Interest Rate | 6.00% | 6.00% | 6.00% | 3.50% |
| Permanent Financing Rate | 4.50% | 4.50% | 4.50% | 3.50% |
| Amortization (years) | 30 | 30 | 30 | 30 |
| Maximum DCR | 1.25 | 1.25 | 1.25 | 1.25 |
| Maximum LTC | 70% | 70% | 70% | 90% |

- Financing conditions are the same for the for-profit scenarios.  However, we assume the non-profit scenario will receive funding through the National Housing Strategy Co-Investment Fund, which offers a lower interest rate, lower Debt Coverage Ratio (DCR), higher Loan to Cost (LTC), and a longer amortization period. We also assume a modest grant (4% of loan size) is secured through the Co-Investment Fund, which is typical based on our discussion with CMHC.

- In addition to our market survey to determine fair market rents identified in **Table 4**, we have also reviewed relevant land transactions in addition to a condominium residual land value model to understand the cost of land in Richmond Hill, which is added as a project cost in the proforma testing. To test the impact of offering land as an incentive / to understand the subsidy needs for those who already own land, we also run an iteration where land costs are removed from the proforma.
- Parking ratios have been determined based on the City's Parking Strategy. Of note, parking reductions of 40% are only provided where 100% of the building is affordable.
- All rental models assume associated development charge reductions/waivers through Bill 23, as well as waived HST.

### 4.3 Proforma Findings

The following tables highlight the relative financial performance of each market and below-market proforma permutation tested as part of this analysis, as well as the magnitude of subsidy that would be required to produce a profitable financial result. Unsurprisingly, as more affordable housing units are included within the varying scenarios, and at deeper levels of affordability, the financial performance of the scenarios deteriorates, and the amount of subsidy required rises.

It is notable that the market rate proforma scenarios (without affordable housing) are projected to produce IRR results in the order of 5.6% to 5.9% with project costs that include land acquisition. Based on our experience, this demonstrates that the natural market performance of new purpose-built rental is lacking relative to the rate of return that would be commonly sought amongst market participants. Richmond Hill has experienced a significant lack of new purpose-built rental investment; these market IRR results demonstrate why that is.

It is therefore true that a capital incentive program that simply reinstates what would have been a market return – but for the affordable housing units – may not in fact be meaningful if those market returns are unattractive. Because of this initial finding, the analysis also seeks to estimate the magnitude of subsidy that would be required to support an 8% unlevered IRR[13]. A key finding here is that current economic conditions are such that the market is unlikely to create a substantial supply of new purpose-built rental housing at fair market rates without incentive.

As shown in **Table 5**, the analysis of affordable scenarios ARH 1 and ARH 2 from the private sector's point of view demonstrate that that the capital subsidy on a per unit basis could range between $130,000 and $370,000 per affordable unit. However, if we focus only on scenarios requiring an 8% IRR result, this range narrows to between $210,000 and $280,000 per unit.

This variations in subsidy amount reflect varying building scale and project costs, return expectations, and the mix and depth of affordability included within the project. As noted in the previous table, affordable units in these private sector development scenarios are assumed to gradually transition to market rates following a 25-year affordability period.

The subsidies rise as the scale of building increases because the cost of construction and requirement for underground parking increases with larger building scales, whereas affordable revenues remain the same.

[13] IRR without accounting for debt.

## Table 5: Proforma Results for Private Sector Developer Scenarios

| ARH 1 & ARH 2 Summary Table - Private Sector Developer | | | |
|---|---|---|---|
| | **Modest Apartment** | **Mid-Rise Apartment** | **High-Rise Apartment** |
| **Return Metrics** | | | |
| IRR at 100% Market Rates | 5.91% | 5.68% | 5.65% |
| IRR at 10% at 125% AMR (ARH 1) | 5.74% | 5.49% | 5.39% |
| IRR at 5% at 80% AMR (ARH 2) | 5.84% | 5.63% | 5.59% |
| **Subsidy to Match Market IRR - Incl Land Cost** | | | |
| ARH 1 - 10% at 125% AMR 25 Years | **$1,184,000** | **$2,466,000** | **$11,058,000** |
| *per affordable unit* | *$197,000* | *$274,000* | *$369,000* |
| *per unit* | *$22,000* | *$28,000* | *$37,000* |
| ARH 2 - 5% at 80% AMR 25 Years | **$451,000** | **$654,000** | **$2,227,000** |
| *per affordable unit* | *$150,000* | *$131,000* | *$148,000* |
| *per unit* | *$8,000* | *$7,000* | *$7,000* |
| **Subsidy to Reach 8% IRR - Incl Land Cost** | | | |
| ARH 1 - 10% at 125% AMR 25 Years | **$11,810,000** | **$23,965,000** | **$83,707,000** |
| *per unit* | *$215,000* | *$272,000* | *$279,000* |
| ARH 2 - 5% at 80% AMR 25 Years | **$11,371,000** | **$22,814,000** | **$78,661,000** |
| *per unit* | *$207,000* | *$259,000* | *$262,000* |

**Table 6** summarizes the not-for-profit scenario testing (ARH 3) where affordable units are assumed to be delivered at 80% AMR in perpetuity and represent between 50% of units in the mid-rise building example and 100% of units in the four-storey building template. In this scenario testing it is assumed the not-for-profit would have 30% of project costs available as an equity investment into the project. The modeling then estimates the amount of additional capital that would be required to support a viable cash flow, with or without land costs included as a cost to the project. The results of this testing demonstrate that the amount of capital subsidy required to achieve a viable development outcome without any ongoing operational subsidy is likely to range between about $206,000 and $540,000 per unit.

In these scenarios, land cost contributed between 13% to 16% of the total development cost. This is a significant component of the project costs, and as such, numerous municipalities offer public lands as an incentive to improve project feasibility.

**Table 6: Proforma Results for Non-Profit Sector Developer Scenarios**

| ARH 3 Summary Table - Non-Profit Developer | | |
|---|---|---|
| | **Modest Apartment/ Stacked Townhouse** | **Typical Mid-Rise Rental** |
| % Affordable | 100% | 50% |
| CMHC AMR | 80% | 80% |
| Minimum DCR | 1.05 | 1.05 |
| Interest Rate | 3.50% | 3.50% |
| Amortization | 50 | 50 |
| **Stabilized NOI** | **$229,000** | **$1,236,000** |
| **Loan Amount** | **$5,114,000** | **$27,615,000** |
| **Total Development Costs - Incl Land** | **$30,910,000** | **$61,396,000** |
| Cost of Land | $4,950,000 | $7,920,000 |
| Eligible Loan | $5,114,000 | $27,615,000 |
| **Project Equity and Subsidy Requirements - No Land Cost** | | |
| **Equity Required @ 1.05 DCR** | **$20,846,000** | **$25,861,000** |
| **Equity Available (30%)** | **$6,254,000** | **$7,758,300** |
| **Capital/Incentive Required** | **$14,592,000** | **$18,102,700** |
| Per Unit | $265,000 | $206,000 |
| Per Affordable Unit | $265,000 | $411,000 |
| **Project Equity and Subsidy Requirements - Incl Land Cost** | | |
| **Equity Required @ 1.05 DCR** | **$25,796,000** | **$33,781,000** |
| **Equity Available (30%)** | **$7,739,000** | **$10,134,300** |
| **Capital/Incentive Required** | **$18,057,000** | **$23,646,700** |
| Per Unit | $328,000 | $269,000 |
| Per Affordable Unit | $328,000 | $537,000 |

## 4.4 Key Findings

The following are key findings from this analysis:

### Challenging Market Conditions

- Rising construction costs and interest rates are having a significant impact on affordable housing delivery:
  - For non-profits, affordable rental revenues have not changed materially, meaning revenues have not increased. However, project costs have increased due to rising construction costs. At the same time, rising interest

rates reduce the amount of debt the NOI can support, meaning more project costs are required to be covered by equity. Cumulatively, significantly more capital is needed to support these projects relative to pre-pandemic times.

  - For-profit developers are encountering the same issue as non-profits noted above, where project costs are increasing as well as shrinking debt due to rising interest rates. This is resulting in higher up-front equity requirements, more expensive financing, and weaker returns overall. At the same time, as interest and bond rates increase, developer return expectations are also increasing.

- The above are strong headwinds facing market-rate and affordable rental housing development. While the waiving of HST improved project performance, significant subsidies are still required.
- Our analysis shows that market rental projects are likely unviable in the current context, which is an expected finding given the lack of new purpose-built rental investment in Richmond Hill and York Region broadly over the past several decades.
- It is expensive to incent affordable rental housing as illustrated in this analysis. New purpose-built rental housing will require significant capital and program budget to be effective.

**Bridging the Gap**

- Incentive programs should aim to fill as much of the financial gap as possible, while also leveraging funding from senior government programs. This is challenging because of the substantial financial contribution necessary, but also understanding that no "single subsidy" will work for every application. Every project will be unique in terms of project costs, return expectation, price paid for land, grants and funding already secured from other sources, financing terms, equity available, and many others. Subsidy requirements will also shift from year to year as there are economic and cost shifts.
  - This is why recent incentive programs have moved away from offering a single package of incentives that is typical of many CIPs (e.g., waived development charges, TIEG, planning application fees, etc.) and towards

offering capital funding on a competitive basis where applicants apply and justify the level of subsidy they require (e.g., programs in Toronto, Peel, and Durham).

  - While the process of offering capital funding on a competitive process requires that the municipality evaluate proformas and negotiate with individual applicants, it also ensures the program is flexible and offers an incentive amount that results in a viable project.

**Bridging the Gap Partially**

- For incentive programs that do not completely fill the gap, and particularly if only a small portion of the gap is filled, groups will likely not apply. If groups do apply, as evidenced through other incentive programs in the previous section, they often tie up municipal capital for a number of years as they secure other sources of funding, with modest success of actually advancing the project.
  - These types of programs, while not offering enough subsidy on their own, are offering incentives anyway because they want to offer some level of assistance. These incentives become a ‘piece of the puzzle’ where projects must secure other sources of funding through government programs or fundraising efforts.
  - There is no methodology for determining how much of the gap should be filled through a program like this. It will depend on what the municipality can afford from a budget perspective. However, the most effective incentives will include grants as well as offsetting property taxes and will seek to leverage and stack as much funding as possible from York Region and senior levels of government.
  - If this structure is pursued, opportunities to include a significant package of incentives, flexibility in administration, and competition for funding should be explored. Putting these pieces in place will assist groups with their housing plans, even if the full financial gap is not addressed at the local level.

### Combining Affordable Housing with Sustainable Design

- It is also important to identify that none of the incentive programs evaluated stack affordable housing and sustainable design. As will be evaluated to follow, high performance sustainable design features increase project costs, without adequate offsetting operational savings. Requiring sustainable design would therefore increase the amount of subsidy needed for projects to advance. Rather, programs that do include this objective (e.g., Peel, Durham) include sustainable design as an evaluation criterion, with projects receiving more points if they include it, rather than requiring it.
    - Further, most affordable housing projects will secure funding through the National Housing Strategy to advance. This program already has sustainable design criteria, meaning that most affordable projects will already include a higher level of efficiency and sustainability.

### Location of CIP

- Any incentive program should apply City-wide. Affordable housing is a broad objective and should not be limited by an artificial geographic constraint. Like the programs highlighted in Peel and Durham, the program should apply City-wide, with locational criterion used to evaluate applications if funding is to be allocated on a competitive basis.

### Additional Residential Units

- Incentivizing lower cost outcomes like ARU's will be significantly less expensive, however the limitations of this housing form in terms of incentive take-up and addressing the housing needs in Richmond Hill are notable as evaluated in the previous section of this report. ARU's can be incented using lower cost options such as loans, forgivable loans, and smaller grants.

### Parking Requirements

- It is also important to note that the parking ratios used by NBLC in the testing are high, particularly for the mid-rise and modest apartment scenario, and include no reduction for the affordable housing aside for the 100% affordable non-profit scenario. This is having a significant impact on project results, as these parking costs are significant and not recovered through project revenues. A portion of the calculated subsidy is therefore directly offsetting parking costs, rather than the creation of affordable housing. Like other municipalities, Richmond Hill should strongly consider reducing/eliminating parking requirements overall, and particularly for affordable units.

### Applicable Housing Types

- Finally, based on the findings of this work, it appears that Richmond Hill would be justified in incenting a wide variety of outcomes including market-rate rental housing, affordable rental housing, non-profit affordable ownership housing, and ARU. Depending on program budget, Richmond Hill could consider offering incentives to all of these outcomes or be very targeted in approach.

## 5.0 Sustainable Design

The section covers sustainable design considerations within the context of a future Richmond Hill incentive program. It begins by providing a discussion of Richmond Hill's Sustainability Metrics Program, including an analysis of additional costs vs operational savings. The report then provides a context survey of green development standards and green Community Improvement Plans (CIPs) in Ontario, as well as senior government definitions, practices, and funding programs for sustainable design.

The discussion in this section also covers considerations related to sustainable new construction, as well as the retrofit of older apartment building, concluding with a summary of the findings and presents recommendations for Richmond Hill.

### 5.1 Richmond Hill Sustainability Metrics Program

The City of Richmond Hill, in collaboration with Brampton, Markham and Vaughan developed the Sustainable Metrics Program, the latest version launched January 1, 2023. It is a points-based green development program that awards a value of points for each metric that the project addresses. There are three tiers, Bronze, Silver, and Gold, which are achieved based on the cumulative score of all points. Applications must achieve the bronze level to be considered for approval.

The Sustainability Metrics have a series of performance indicators that are grouped into categories. Built Environment addresses the places and connections within the development, including land use, scale, and heritage conservation. Mobility addresses transportation within and beyond the development, including active transportation, public transit, and traffic calming. Natural Environment and Parks looks at preserving and enhancing the natural heritage system, and providing access to park space, recreational and cultural opportunities. Infrastructure and Buildings addresses energy and water conservation. Lastly, the Innovation category provides an opportunity to propose new beneficial metrics that are defined elsewhere in the program.

The following performance indicators excerpted from the program as per city direction will be the focus of this evaluation. These measures address the building-scale infrastructure to support sustainability and resilience and are therefore most applicable for inclusion in a Community Improvement Plan or other incentive program.

- BE-10: Electric Vehicle Charging Stations
- IB-1: Building Designed/Certified Under Accredited “Green” Rating System
- IB-4: Embodied Carbon of Building Materials: Supplementary Cementitious Materials
- IB-5: Embodied Carbon of Building Materials: Life Cycle Assessment
- IB-6: Embodied Carbon of Building Materials: Material Efficient Framing
- IB-7: Heat Island Reduction: Non-Roof
- IB-8: Heat Island Reduction: Roof
- IB-10: Solar Readiness
- IB-11: Energy Strategy
- IB-12: Building Energy Efficiency, GHG Reduction, and Resilience
- IB-14: Back-up Power
- IB-15: Extreme Wind Protection for Ground-Orientated Development
- IB-16: Sub-Metering of Thermal Energy and Water

These measures were chosen from the broader Sustainability Metrics as they most directly relate to building design, have a larger impact on greenhouse gas (GHG) emissions and contribute towards resiliency of a multi-family residential building. The next section will review each measure in detail, how they relate to residential buildings and provide commentary on the expected construction or project costs for implementing the measures. For each measure, the “Good” points level as defined by the Sustainability Metrics, was selected for implementation. If a “Good” points level is not applicable, the lowest points achievable for the given metric was selected. This level achieves the minimum number of points for a given measure and is generally achievable for most sites and building types. Finally, an indicative total cost for implementing all of the measures for a prototype building: a typical mid-rise rental apartment building as tested in the previous section **Table 3** will be provided. This section is to be read in conjunction with the City of Richmond Hills' Sustainability Metrics document.

### 5.1.1 Analysis of Selected Measures

#### a. Built Environment (BE)

Measures relating to places and connections within the development.

<u>BE-10 Electric Vehicle Charging Stations</u>

This measure requires the implementation of Electric Vehicle Charging Equipment for a minimum of 10% of the provided parking stalls. In accordance with the references included in the Sustainability Metrics, these are Level 2 chargers as defined by the SAE International's J1772 standard (208-240V single-phase power, with a maximum current of 80A.)

The impact of implementing this measure would be to encourage residents to adopt electric vehicles over internal combustion vehicles and therefore reduce greenhouse gas emission associated with operation of those vehicles.

- Prototype Building: The prototype Rental Apartment mid-rise includes 90 parking stalls (at grade and below grade) therefore implementation of this measures would require 9 parking stalls to be equipped with EVSE.
- Cost: $5400/stall (Reference: Building Green: Cost of LEEDv4, adjusted for 2023 cost escalation and for the GTA market.)

#### b. Infrastructure and Buildings (IB)

Measures to identify the means to maximize energy and water conservation and minimize the consumption of non-renewable resources.

IB-1 Building Designed/Certified Under Accredited "Green" Rating System

This measure requires enrollment of the building (or buildings on a site) in an accredited, third party "Green" rating system. The acceptable third party accredited green rating systems vary in their requirements, complexity and certification process however they all focus on the implementation of high-performance sustainable building, reduction of greenhouse gas emissions and resilience.

The impact of implementing this measure would be to demonstrate to the public a high degree of sustainable performance is being achieved. The standards have requirements across most aspects of a building's performance including reduced energy consumption, higher performance and more durable building envelope, less reliance on non-renewable resources and higher indoor environmental quality. These would all result in reduced greenhouse gas emissions, healthier building environment and higher resilience extreme weather events.

- Prototype Building: The measure allows selection from the following green rating systems, not all of which are applicable to the prototype mid-rise rental apartment:
  - LEEDv4: New construction (NC) category is applicable. LEED Neighbourhood Design (ND) is not applicable to a single building
  - Certified Passive House Building: Passive House Canada certified for PH Classic, Plus or Premium are applicable
  - Living Building Challenge 4.0: The standard is applicable
  - CaGBC Zero Carbon Building Design Standard Version 3: The standard is applicable
  - Energy Star Canada: The Energy Star certification for multi-family housing is currently under development and is therefore not applicable to this prototype
  - One Planet Living: The One Planet Living framework is not a building specific standard and would require local administration and adoption to be applicable to the prototype building

- Cost: The cost for implementation varies by standard and building design, for the prototype building type and size, the following published information is available expressed as a percentage premium above the construction hard costs:
    - LEEDv4 NC: 0.53% (Reference: Building Green: Cost of LEEDv4)
    - Passive House: 7.1% (Reference: Ken Soble Tower Transformation, A Case Study in Deep Retrofit and Housing Renewal, Tower Renewal Partnership)
    - Living Building Challenge: 18.7% (Reference: https://living-future.org/wp-content/uploads/2022/05/LBC-Financial-Study-Report.pdf)
    - CaGBC Zero Carbon: 6% (Reference: Making the Case for Building to Zero Report, CaGBC)

IB-4 Embodied Carbon of Building Materials: Supplementary Cementitious Materials

This measure is implemented by selecting concrete mixes that contain a minimum 20% of Supplementary Cementitious Materials. These materials replace portions of a traditional concrete mixture and are composed of either industrial waste materials or other recycled materials that have lower greenhouse gas emission associated with their production. The concrete mix designs therefore a have overall lower total GHG emission for their weight or strength.

The impact of implementing this measure is to reduce the overall greenhouse gas emissions from the construction process (embodied carbon).

- Prototype Building: The prototype building assumes a structural concrete structure and therefore this measure is applicable. We have assumed a 20% mixture of slag cement added to a traditional concrete mix.
- Cost: The addition of slag or other SCMs often results in a cost reduction of the overall concrete mix, depending upon many factors such as performance (strength) and placing requirements (cold weather mix.) (Reference: Building Green: Cost of LEEDv4).

IB-5 Embodied Carbon of Building Materials: Life Cycle Assessment

This measure requires the design team to perform an embodied carbon life cycle assessment of all large buildings on the site that includes each building's structural frame and envelope materials. A life cycle assessment report tracks the quantities of greenhouse gas emissions that are produced in the manufacturer, shipping, fabrication and implementation of each material used in the building.

The impact of implementing this measure is to allow early identification of design selections to reduce GHG emissions associated with materials. If implemented, these design selections may have very little additional cost and yield a better performing building.

- Prototype Building: The prototype building is large enough to qualify for this measure (defined as a Part 3 building in the Ontario Building Code). The Life Cycle Assessment report would be conducted during the design phase to inform the design team of opportunities, the report and the selected implementation would form part of a later submission to the city.
- Cost: The implementation of lower embodied carbon materials that meet the project requirements and goals can be done at little or no cost. The cost of engaging a third-party engineering consultant to perform the LCA study for a building at the scale of the prototype is approximately $12,000 in consulting fees. (Reference: ERA Architects, similar project experience.)

IB-6: Embodied Carbon of Building Materials: Material Efficient Framing

This measure provides a list of light wood framing techniques that reduce the amount of wood used for framing of small wood structures. The measures do not have a negative impact on performance, rather use the material in a more efficient manner. From the list of techniques, a minimum of 3 techniques are to be implemented.

The impact of this measure is reduce the overall amount of lumber used for the construction of a given building. The reduction of material results in less embodied carbon, less cost and less waste.

- Prototype Building: This measure is only applicable to smaller wood frame buildings, it is not applicable to the mid-rise prototype building.
- Cost: Implementation of material efficient (or advanced) framing will result in reduced material costs. (Reference: https://www.apawood.org/advanced-framing )

IB-7 Heat Island Reduction: Non-Roof

This measure requires 50% of the non-roof and non-building footprint area of the site to be designed with either higher solar reflectivity, permeable or vegetated materials. The specification and selection of these materials reduces the amount of solar energy that is absorbed by the materials and re-radiated as heat.

The impact of implementing this measure is to reduce the Heat Island Effect, which is a localized temperature increase due to the re-radiation of heat from the built environment. Implementation would result in reduced local temperatures, higher outdoor comfort and lower loads on building mechanical systems.

- Prototype Building: The prototype building has a site area of 3100$m^2$ and building footprint of 981$m^2$. Implementing this measure would require 50% of the remaining site area to be treated with higher solar reflectivity, permeable or vegetated materials
- Cost: Through thoughtful material section and design of parking, landscape and vegetated areas, cost neutral design selections are possible.

IB-8 Heat Island Reduction: Roof

This measure requires 100% of the roof area to be covered in a Cool Roof, which is either higher solar reflectivity material or a green (vegetated) roof. The specification and selection of these materials reduces the amount of solar energy that is absorbed by the roofs and re-radiated as heat.

The impact of implementing this measure is to reduce the Heat Island Effect, which is a localized temperature increase due to the re-radiation of heat from the built environment. Implementation would result in reduced local temperatures, higher outdoor comfort and lower loads on building mechanical systems.

- Prototype Building: The prototype building has a roof area of approximately 981m$^2$. Implementing this measure would require the entire roof area to be specified with a Cool Roof. As a base case, a high albedo roofing product may be selected to maximize solar energy reflectivity. High Albedo roof products have a slightly higher cost than traditional roofing materials.
- Cost: Approx. \$43/m$^2$ premium (Reference: Building Green: Cost of LEEDv4, adjusted for 2023 cost escalation and for the GTA market.)

<u>IB-10 Solar Readiness</u>

This measure provides option for either solar readiness (providing infrastructure for the future implementation of site generated solar power) or the implementation of solar panels to generate a certain percentage of a building's energy load. The relevant building scale option for this study is the second option "in the project, 1% of the total energy is generated on-site by renewable energy sources."

The impact of this measure is to reduce the building's reliance on external sources of energy, reduce peak loads on the grid and to reduce the GHG emissions of energy produced elsewhere and imported to the site.

- Prototype Building: The prototype building is assumed to be high performance and have a reduced energy load relative to a minimum code building, in accordance with the other recommended measures, especially IB-1 Building Designed/Certified Under Accredited "Green" Rating System and IB-12: Building Energy Efficiency, GHG Reduction, and Resilience. For the purposes of analyzing a prototype building, we will assume a total Energy Use Intensity of 170kWh/m$^2$/year as per the limit described in IB-12, and that the building is fully electrified as per the green standard selected in IB-1. The prototype mid-rise apartment building has a Gross Floor Area of 7800m$^2$ and therefore a total energy use of 1,326,000 kWh/year. To satisfy this measure, 1%, or 13,260kWh/year of energy would need to be produced on site. This could be produced by a rooftop photovoltaic array measuring approximately 12,000 watts.

- Cost: $10/watt (Reference: Building Green: Cost of LEEDv4, adjusted for 2023 cost escalation and for the GTA market.)

IB-11 Energy Strategy

This measure engages the design team for early analysis of all aspects of the built project to review, evaluate and create recommendations to reduce energy requirements and encourage design decisions that increase performance. The Energy Strategy reporting process encourages early decisions that may have minimal cost increases, such as massing, building form and orientation towards efficiency and higher performance.

The impact of performing an energy strategy report allows for identifying measures and decisions that may reduce energy requirements and increase energy efficiency of the project. The implementation of these measures may have additional costs, but they are likely included in other measures outlined in this report. Certain measures are possible to implement with little to no cost impact but may have significant impact to energy usage.

- Prototype Building: This measure would be applicable to the prototype building. The Energy Strategy report would be conducted during the design phase to inform the design team of opportunities, the report and the selected implementation would form part of a later submission to the city.
- Cost: The implementation of energy efficiency strategies that meet the project requirements and goals could be aligned to other measures identified in this report. The cost of engaging a third-party engineering consultant to perform an Energy Strategy Report for a building at the scale of the prototype is approximately $30,000 in consulting fees (Reference: ERA Architects, similar project experience.)

IB-12 Building Energy Efficiency, GHG Reduction, and Resilience

This measure sets energy efficiency requirements for different building types. The criteria applicable to a multiunit residential building are expressed as maximum total energy use (EUI), thermal energy demand (TEDI) and GHG emission intensity; all three are measured on a maximum value per area (square meter) per year. These targets provide direction to the design team that can be achieved through improved (higher performance) building envelope to reduce heat loss during winter and heat gain during summer, better building orientation, material selection and mechanical system design. Achieving this metric requires a full building energy model and documentation of elements of the building that contribute towards energy efficiency.

The impact of implementing this measure is a direct reduction in energy use, and therefore GHG emissions associated with that energy. The targets for energy efficiency are roughly 25% less than a typical minimum-code constructed building.

- Prototype Building: The prototype building is a mid-rise apartment building with 88-units. The applicable targets are a maximum EUI of 170 kWh/$m^2$/yr, maximum TEDI of 70 kWh/$m^2$/yr, and a maximum GHGI of 20 kg$CO_2$/$m^2$/yr. These targets are higher than those set out in the selected “Green” building accreditation (CaGBC Net Zero Carbon) outlined in IB-1, and therefore no additional cost has been assigned to this measure. The cost of preparing an energy model and design coordination is captured in IB-11.
- Cost: The cost of implementing this measure is captured in the costs assigned for IB-1 and IB-11.

IB-14 Back-Up Power

This measure prescribes requirements for resiliency and continued use of the building during power outages. The parameters applicable to a mid-rise residential building (which is required to have a back-up generator for emergency life safety systems as per base building code) is to extend the backup supply to last for a minimum of 72 hours and also power an emergency refuge area with basic building systems.

The impact of implementing this measure is to enable the building to remain occupied during power outages, which is especially important if those outages are due to extreme weather events.

- Prototype Building: The prototype building is a mid-rise apartment building, it and includes common amenity rooms and spaces. Extending backup power to one or more of these spaces would require minor upgrades to the electrical infrastructure of the building. Extending the fuel supply of the backup generator to last 72 hours would have no major impact.
- Cost: Either minor or no additional base building costs for implementing this measure.

<u>IB-15 Extreme Wind Protection for Ground-Orientated Development</u>

This measure prescribes additional fasteners and attachments for light wood framed buildings to make them more resistant and less prone to damage due to high winds. The measure requires that the attachment from walls to the roof be considered whether traditionally framed or if using pre-engineered trusses.

The impact of implementing this measure is to make light wood framed buildings more resistant to high winds and less likely to be catastrophically damaged at the wall to roof connection.

- Prototype Building: The prototype building is a mid-rise apartment building constructed from a concrete frame. This measure is not applicable. However, the custom engineering design for a concrete frame building already considers the resistance to uplift and resilience prescribed in this measure.
- Cost: Not applicable to the prototype building.

<u>IB-16 Sub-Metering of Thermal Energy and Water</u>

This measure requires the installation of either thermal energy meters or water meters for each suite (only one per unit) that allows the residents to monitor their usage, understand how their behavior affects energy costs and potentially yield reductions in usage. Thermal energy meters measure the amount of energy (transported through water in pipes) from a centralized building plant to the suite that is used to either heat or cool the rooms. Water submeters measure the amount of domestic water that is used in a suite. In some applications, these submeters may be used to implement usage based billing for either service, however that is not a requirement of this measure.

The impact of installing submeters is to make the resident and building operator aware of individual usage, and they may yield behavioral changes that lead to less usage. Less thermal energy usage leads to a direction reduction in the energy used to heat or cool a space. Less water usage leads lower water costs and less energy used for the filtering, treatment and distribution of fresh water and sanitary waste.

- Prototype Building: The measure prescribes implementation of either thermal energy meters or domestic water submeters. The prototype mid-rise apartment building contains 88-suites, and therefore a minimum of 88 meters would be installed. Water meters and thermal energy meters are very similarly priced and therefore the cost below would be applicable to either.
- Cost: $1000 per meter (Reference: Building Green: Cost of LEEDv4, adjusted for 2023 cost escalation and for the GTA market.)

### 5.1.2 Summary of Findings

**Table 7** below summarizes the order of magnitude costing highlighted in the previous section. As noted, project costs for a prototypical 88-unit mid-rise building, identical to the example used in Tables 3 and 5, would increase by nearly 7% as a result of these measures. A construction premium of $2.8M results in an added cost of $32,000 per unit.

**Table 7: Summary of Project Costs Above and Beyond a Prototypical Building – Building Statistics Match the Mid-Rise Scenario identified in Table 3 (80,000 square feet, 88 units)**

| Measure | Relative Cost | Unit or Percentage | Prototype Building Cost |
|---|---|---|---|
| BE-10: Electric Vehicle Charging Stations | $ | $5400/stall | $48,600 |
| IB-1: Building Designed/Certified Under Accredited “Green” Rating System | $$$ | 0.53% - 18.7% (CaGBC Net Zero Carbon Design selected at 6%) | $2,487,942 |
| IB-4: Embodied Carbon of Building Materials: Supplementary Cementitious Materials | | Minor impact/cost neutral | N/A |
| IB-5: Embodied Carbon of Building Materials: Life Cycle Assessment | $ | Consulting Fees | $12,000 |
| IB-6: Embodied Carbon of Building Materials: Material Efficient Framing | | Minor impact/cost neutral | N/A |
| IB-7: Heat Island Reduction: Non-Roof | | Minor impact/cost neutral | N/A |
| IB-8: Heat Island Reduction: Roof | $ | $43/m$^2$ | $42,183 |
| IB-10: Solar Readiness | $$ | $10/Watt | $120,000 |
| IB-11: Energy Strategy | $ | Consulting Fees | $30,000 |
| IB-12: Building Energy Efficiency, GHG Reduction, and Resilience | | Included in other measures | N/A |
| IB-14: Back-up Power | | Minor impact/cost neutral | N/A |
| IB-15: Extreme Wind Protection for Ground-Orientated Development | | Minor impact/cost neutral | N/A |

| Measure | Relative Cost | Unit or Percentage | Prototype Building Cost |
|---|---|---|---|
| IB-16: Sub-Metering of Thermal Energy and Water | $$ | $1000/meter | $88,000 |
| | | **Total:** | **$2,828,725** |
| | | **Percent of Construction Cost:** | **6.8%** |

Utilities savings from low energy buildings are material yet insufficient to fund the retrofits or investments in deep energy measures themselves. This is primarily a result of current pricing of energy sources where natural gas, the primary contributor to greenhouse gases in buildings, is less expensive than electricity, a relatively low source of greenhouse gases. Fuel switching is the primary source of carbon reduction in both retrofits and new construction, where natural gas heating of domestic hot water and interior spaces, is replaced with electric heat pumps. As a result, general electrical loads become the primary utility bill.

Using energy pricing at the time of writing, in rough estimates it would cost the consumer ~$3,060 to produce a tonne of carbon from electricity use. Using natural gas however, it would only cost the consumer ~$210 per tonne, including Federal Carbon Pricing. Therefore, dramatic reductions in natural gas result in relatively modest savings, and fuel switching from natural gas to electricity may in fact be utility cost neutral. Therefore, utility savings cannot be relied on to finance the cost of decarbonization. Rather, new high-performance buildings will require investments much larger than the value of utility savings, with projects that have proceeded at these heightened standards largely being supported by Federal or Provincial programs that fund high-performance not for profit housing.

## 5.2 Overview of Sample Municipal Green Standards and Incentive Programs

### 5.2.1 City of Toronto Green Standard (No CIP for this Program)

**Purpose:**

The Toronto Green Standard (TGS) is Toronto's sustainable design and performance requirements for new private and city-owned developments since 2010. Version 3 is in effect since 2018 and Version 4 came into effect May 1, 2022 for new planning applications. The Standard consists of tiers of performance with Tier 1 being mandatory and applied through the planning approval process.

**Program Duration:**

The TGS, which began in 2010, is Toronto's sustainable design and performance requirements for new private and city-owned developments. Version 4 came into effect May 1, 2022 for new planning applications.

**Metrics:**

Buildings are evaluated based on:

1. Air Quality
2. Building Energy, Emissions and Resilience
3. Water Quality and Efficiency
4. Ecology and Biodiversity
5. Waste and the Circular Economy

**Incentive:**

The TGS Development Charge Refund Program offers a partial refund on development charges paid, for verified Tier 2, 3 or 4 sustainable and high-performance development projects. These incentives are offered through the Development Charges By-Law, not a CIP.

In August 2022, City Council approved an increase in the Development Charge Refund Incentive to accelerate greater uptake of the higher Tiers of the TGS. The Tier 2 refund has been increased by 25% and the Tier 3 or 4 discounts have been increased by 50%. Tier caps are below.

**TIER 2, 3 & 4 CAP - VERSION 3.0 OR LATER**

| COLUMN 1 | COLUMN 2 | COLUMN 3 |
|---|---|---|
| | TGS Tier 2 | TGS Tier 3 or 4 |
| **Residential (Per dwelling unit or dwelling room)** | | |
| Single detached and semi-detached | $6,901.01 | $8,281.22 |
| Apartment- two bedroom and larger | $4,403.00 | $5,283.60 |
| Apartment- one bedroom and bachelor | $3,003.18 | $3,603.81 |
| Multiple (all multiples) | $5,596.36 | $6,715.64 |
| Dwelling room | $1,863.99 | $2,236.79 |
| **Non-Residential Use (per square metre)** | $50.91 | $61.10 |

### Process:

All projects must demonstrate the minimum achievement of Tier 1 and 2 levels of the Toronto Green Standard to be eligible for the Development Charge Refund program. Tier 1 is verified through Site Plan Approvals. Tiers 2, 3 and 4 are third-party verified and certified by a Registered Project Evaluator with the City of Toronto.

### 5.2.2 City of Ottawa High Performance Development Standard (2022, 2023 – No CIP for this Program)

### Purpose:

Sustainable and resilient design in new development supports public health and safety and environmental protection, and responds to climate change, all of which are priorities within Ottawa's new Official Plan.

**Program Duration:**

The High-Performance Development Standard (HPDS) was approved by Council on April 13, 2022.

The HPDS will come into effect for new site plan and subdivision applications when the new Official Plan is approved by the Province. Tier 1 building energy efficiency metrics will not apply until June 1, 2023.

**Metrics:**

| Development Type and Tier | Sustainable Elements |
|---|---|
| Site Plan Tier 1 Metrics Index | 1. Building Energy Efficiency<br>2. Site Plan Accessibility<br>3. Fresh Air Intake<br>4. Tree Planting<br>5. Plant Species<br>6. Exterior Lighting<br>7. Bird-Safe Design<br>8. Sustainable Roofing<br>9. Cool Landscape and Paving<br>10. Common Area Waste Storage<br>11. Electric Vehicle Parking<br>12. Bicycle Access and Storage |
| Site Plan Tier 2 Metrics Index | 13. Building Energy Efficiency<br>14. Airtightness Testing<br>15. Operational Energy<br>16. Renewable Energy<br>17. District Energy<br>18. Embodied Carbon<br>19. Thermal Imaging<br>20. Health Supportive Amenities<br>21. Exterior Lighting<br>22. Operable Windows<br>23. Interior Room Temperature<br>24. Refuge Area<br>25. Resiliency Plan<br>26. Common Area Waste Storage<br>27. In Suite Waste Sorting |

| Development Type and Tier | Sustainable Elements |
|---|---|
| | 28. Construction Waste Management Plan<br>29. Parking<br>30. Micro-Mobility<br>31. Electric Vehicle Parking<br>32. Bicycle Access and storage<br>33. Enhanced Bicycle Facilities<br>34. Transit Access<br>35. Enhanced Transit Facilities |
| Plan of Subdivision Tier 1 Metrics Index | 1.1 Community Energy Plan<br>1.2 Tree Planting<br>1.3 Plant Species |
| Plan of Subdivision Tier 2 Metrics Index | 2.1 Community Energy Plan<br>2.2 Extreme Wind and Snow Loading<br>2.3 Waste Storage<br>2.4 Construction Waste Management |

**Incentive:**

There are currently no financial or process related incentives available for tiers two and three. Staff have been directed to investigate incentive options and report back to Council in 2023.

**Process:**

Starting June 1, 2023, meeting the Tier 1 standard will be mandatory for developments. Development applications will include an energy modelling report and a High-Performance Development Standard Checklist that will be reviewed for compliance.

The HPDS will be applied in the review and approval of:

- All Site Plan Control applications in the Urban Area
- HPDS Development Threshold Site Plan Control applications in the Rural Area
- All Draft Plan of Subdivision applications

“HPDS Development Threshold” application means a site plan application in respect of:

- Residential developments containing fourteen or more units, five or more floors and/or having a gross floor area of 1,200 square metres or more;
- all planned unit developments;
- mixed-use buildings containing fourteen or more units, five or more floors and/or with a gross floor area of 1,400 square metres or more;
- non-residential development of five or more floors and/or with a gross floor area of 1,860 square metres or more;
- and/or drive-through facilities in the Site Plan Control Inner Area or abutting residential zones.

### 5.2.3 Halton Hills (No CIP for this Program)

**Purpose:**

- To further elevate the sustainability performances of new developments in the community.
- To ensure alignment with current best practices in sustainable building and development.
- To support community-wide net-zero carbon emissions goals identified in the Town’s climate change emergency declaration.

The Green Development Standards (GDS) v3 was put in place to elevate the sustainability performance of new developments in Halton Hills, and to ensure alignment with current best practices in sustainable building and development. The Town of Halton Hill’s Climate Change Emergency Declaration issued in May 2019, which established community-wide net-zero carbon goals, is a key priority that has shaped GDS v3. GDS v3 builds on the successful elements of the previous versions, while focusing on measures that reduce the greenhouse gas intensity of developments. This change will ensure that new developments are aligned with the Town’s strategy for responding to climate change. Halton Hills aims to be net zero by 2030.

**Program Duration:**

The original version of the GDS was introduced in 2010 and subsequently updated in 2014 to include industrial, commercial, institutional, and multi-unit residential buildings. The most recent update to the GDS is version 3. GDS v3 became applicable to all developments and major additions subject to an Official Plan and/or Zoning By-law Amendment, Draft Plan of Subdivision, or Site Plan Control approval as of June 15, 2021.

**Metrics:**

GDS v3 consists of 12 measures, that are organized into 5 categories:

1. Energy & Water
2. Ecology
3. Resiliency
4. Transportation
5. Innovation

**Incentive:**

There is currently no incentive associated with this program.

**Process:**

Each of the 12 measures has points associated with it. To be compliant with GDS v3, all new developments and major additions that submit a rezoning, subdivision, or site plan control application must demonstrate achievement of at least 20 points.

### 5.2.4 City of Kingston – Green Standard Community Improvement Plan

**Purpose:**

The goal of the Green Standard Community Improvement Plan (GSCIP) is to support the construction of efficient, sustainable, and low-impact buildings to lower community greenhouse gas emissions (GHGs) over time. By doing this, the program aims to improve air quality, water efficiency, energy efficiency and conservation, energy generation, energy storage and distribution, and waste management.

**Program Duration:**

The program was approved by Kingston City Council on October 27, 2021 and the program launched in early 2022.

**Metrics:**

Net Zero.

**Incentive:**

The incentive amount depends on the level of performance of the development.

| Performance Levels | Building Performance Hierarchy for Incentives |
|---|---|
| Level A - Trailblazers | ▪ Performance Level: net-zero or better (i.e. zero carbon)<br>▪ Building and Energy Related Performance: 100 per cent of energy required by the building is generated on-site |
| Level B - Leaders | ▪ Performance Level: net-zero ready, top tiers of the National Building and Energy Codes (2020 versions), LEED Platinum, Passive House |

| **Performance Levels** | **Building Performance Hierarchy for Incentives** |
|---|---|
| | ▪ Building and Energy Related Performance: 50 to 80 per cent less energy use than if built to current Ontario Building Code |
| Level C - Aspiring Leaders | ▪ Performance Level: the second highest tied of the 2020 National Building Energy Codes, LEED Gold, R-2000, Built Green/ Green Seal Platinum<br>▪ Building and Energy Related Performance: 30 to 50 per cent less energy use than if built to the current Ontario Building Code |
| Current Compliance level (not eligible for incentives) | ▪ Performance Level: Meets Ontario Building Code<br>▪ Building and Energy Related Performance: Base case. |

Types of Grants

1. Cash Rebate Grants

- Intended to be a one-time grant for developers selling buildings post construction, at a smaller proportion of Incremental Capital Cost (ICC) than covered by Incremental Property Tax Rebates.
- Provides tax exempt property owners with a rebate option (*excluding federal/provincial agencies) as well as for projects that may be utilizing the Brownfield CIP tax rebates.
- Maximum $250,000 per project
- Requires verification of building performance level post construction

Cash rebate grants are provided on a one-time basis:

- Level A – may receive up to 35 per cent of ICC
- Level B – may receive up for 25 per cent of ICC
- Level C – may receive up to 15 per cent of ICC

Incremental Capital Cost (ICC) Premium:

- The added cost to build higher performance levels above those required by the Ontario Building Code.

2. Tax Increment rebate

- Intended to be paid over 5 to 10 years to developers intending to retain ownership of building post-construction to recoup a portion of their incremental capital costs
- Tax exempt properties ineligible (i.e.. churches, schools, some charities)
- Based on tax uplift between pre and post-construction assessed property value
- Maximum annual payout limited to 25 to 50 per cent of tax uplift (varies with building type)
- Maximum total rebate = $1,000,000 per project
- Rebate reduced if property owner occupies the majority of the new building or pays for the utilities (due to benefitting from reduced utility costs)

Tax increment rebate grants are available for up to 10 years:

- Level A – may receive up to 75 per cent of ICC
- Level B – may receive up to 55 per cent of ICC
- Level C – may receive up to 35 per cent of ICC

3. Feasibility study grants

- Up to 50 per cent of the cost to a maximum of $25,000
- All incentive types listed are available post-construction

**Process:**

Verification of energy performance levels will be made through a requirement of certification from an approved third-party energy or carbon performance standard.

Any development within the City of Kingston is eligible. The Green Standard CIP incentives are designed to be most suited for large developments, such as multi-residential buildings, commercial buildings and industrial buildings.

### 5.2.5 Town of Caledon, Bolton Community Improvement Plan

**Purpose:**

- The Bolton Community Improvement Plan (CIP) has eleven programs within it, of which one relates to energy efficiency.
- The Energy and Carbon Reduction Grant Program offers grants to improve energy efficiency and reduce the carbon footprint of businesses within Bolton. This program is intended to support the Town in meeting its carbon reduction targets, of 36% below 2016 levels by 2030, and carbon neutrality by 2050.

**Program Duration**

The former Bolton CIP was adopted by Council in 2009 and was intended to be a 10-year document. The Town then undertook an update of the Bolton CIP to ensure that the plan remained relevant. The updated Bolton CIP was presented to Council on January 17, 2023 and was adopted on January 31, 2023.

**Incentive:**

The potential value of a grant is calculated from the following eligible costs, which are organized into three streams:

a. Stream 1:

- Building energy and efficiency audits, recommissioning and energy retrofit feasibility studies;
- Basic building controls, including smart thermostat, roof top unit (RTU) controls, demand control ventilation, or other smart controls as approved by the Town, that result in energy savings;
- Building envelope improvements, including ENERGYSTAR certified windows, as well as insulation, for facilities smaller than 15,000 square feet;
- Installation of an energy recovery ventilator (ERV), or heat recovery ventilator (HRV), or drain water heat recovery, where this technology did not previously exist or is improving in efficiency in replacement of an existing system;
- Installation of a level II electric vehicle charging station.

b. Stream 2:

All eligible costs under Stream 1, provided that one or more of the following eligible costs is also undertaken:

- Replacing existing heating systems and air conditioners with a more efficient condensing boilers or condensing furnaces, and air conditioners. Note: this measure does not apply for transitioning electricity systems to natural gas;
- Major works associated with HVAC system upgrades or retrofits that results in a switch from a carbon-based fuel system to an electricity-based system (such as heat pumps);
- Building automation system and controls and energy management information systems;
- Other building envelope improvements for facilities larger than 15,000 square feet.

c. Stream 3:

All eligible costs under Streams 1 and 2, provided that one or more of the following eligible costs is also undertaken:

- Eco-roofs, including green roofs, cool roofs, and blue roof systems, as well as any required structural analysis;
- Installation of ground or air source heat pumps;
- Industrial waste heat recovery that reduces the buildings energy (fossil-fueled source, such as natural gas) thermal consumption by 20%.
- Installation of renewable energy systems (including solar thermal and solar photovoltaic systems);
- Level 3 electric vehicle charging station(s);
- Improvements to industrial process (excluding lighting and HVAC systems) that result in significant energy efficiencies and that do not utilize carbon-based fuels as an energy source.

Grant Value:

The total value of the Energy and Carbon Reduction Grant Program shall be calculated on the following basis:

- Stream 1 may be provided to eligible applicants for a total of 50% of eligible costs to a maximum of $10,000.
- Stream 2 may be provided to eligible applicants for a total of 50% of eligible costs, to a maximum of $25,000.
- Stream 3 may be provided to eligible applicants for a total of 50% of eligible costs, to a maximum of $40,000.
- Under no circumstance shall the grant values under Streams 1, 2 and 3 be combined.

**Process:**

Commercial, mixed-use, institutional, or industrial properties and buildings within the Bolton Core, Commercial Corridor and Industrial Area Precincts are eligible for this Program. Designated non-residential heritage properties within these precincts are also eligible for this Program.

1. The grant is paid after the approved works are completed, to the satisfaction of the Town.
2. At the Town's discretion, additional criteria for payment of a grant may be requested, including a certified letter from a Professional Engineer or Certified Energy Professional outlining the works completed (including details of the base case equipment to prove an improvement in efficiency), and an outline of the estimated energy and emissions savings or an energy audit report that details the energy conservation measure.

### 5.2.6 Town of Caledon, Green Development Charge Discounts

**Purpose:**

The purpose of the program is to encourage the development of buildings that incorporate green technologies and/or incorporate LEED standards.

**Incentive:**

The Green Development Charge discount is a reduction in the development charges paid by a property owner/developer to the Town of Caledon. The discount applies to Town of Caledon development charges only and is subject to a $250,000 maximum application in-take per year.

| DEVELOPMENT CHARGE DISCOUNT APPLICABLE TO NEW COMMERCIAL & INDUSTRIAL BUILDINGS IN CALEDON* | | |
|---|---|---|
| **Green Measure** | **Inclusions** | **Discount** |
| **Green Technologies** | Solar hot water system<br>*Providing a minimum 25% of the building energy needs* | **5%**<br>for any inclusion or any combination of inclusions |
| | Transpired solar collectors<br>*Providing a minimum 10% of the building energy needs* | |
| | Solar photovoltaic system<br>*Providing a minimum 5% of the building energy needs* | |
| **LEED® Certified** | Certified and registered with the Canada Green Building Council as meeting the current and applicable LEED® Canada Rating Systems | **20.0%** |
| **LEED® Silver** | | **22.5%** |
| **LEED® Gold** | | **25.0%** |
| **LEED® Platinum** | | **27.5%** |

**Process:**

The development charge discount only applies to new commercial and industrial buildings, not residential ones.

When applying for a building permit, applicants fill out an application for a development charge discount for green development. Applicants must include a certification, stamp or signature from an architect or engineer to verify the LEED standard or green technologies used in the development. If the application is accepted, the Town's development charges will be discounted when the building permit is issued. The Town will hold a Letter of Credit in the amount of the discount until confirmation of certification is received from the Canada Green Building Council (CGBC)**.** The CGBC is involved at several steps in the application process, including:

i. owner or agent for the development must be registered with the CGBC.

ii. an independent consultant who is recognized by the CGBC must certify to the Town in writing if the building meets LEED Certified, LEED Silver, LEED Gold or LEED Platinum standards.

iii. the CGBC will review the proposed development and issue a certificate confirming that the design meets LEED standards.

### 5.2.7 Context Survey Conclusions

Municipalities in Ontario are responding to climate change policy direction by using different programs to achieve the goal of high energy performance, reduced greenhouse gas emissions and eventual net zero in buildings. When applying the tool of green development standards, several municipalities are making the first tier of standards mandatory and therefore setting the standard for developers to build to higher energy efficiency and greenhouse-gas emissions reducing thresholds than the Ontario Building Code calls for. As net zero target dates approach, these municipalities will likely make the following tier mandatory.

In Toronto, Ottawa, and Halton Hills, it is mandatory for developments to achieve the first tier of green development standards. In Ottawa, there is currently no incentive to meet the higher building performance levels. In Halton Hills, where the standards operate according to a point system, there is similarly no incentive to achieve a greater number of points than the minimum twenty. In Toronto and Caledon, fulfilling a higher tier of development standards (Toronto) or using identified green technologies or building to a certified LEED level (Caledon) will result in a refund on a portion of the development charges. The incentives are modest and built directly into the municipal fee and charge by-law, rather than a CIP. In the Kingston and Caledon CIPs, monetary incentives are granted for higher building performance levels and the use of an energy feasibility study, but neither include affordable housing as an objective.  As highlighted in Section 3 of this report, many affordable housing incentive programs include sustainable design as an evaluation criterion, but do not require it.

While uptake information is not currently available (NTD: municipalities have been contacted for this information), it is reasonable to assume that in the municipalities that offer no incentives for achieving higher development standards (Ottawa, Halton Hills), these standards are not being met at the same level. Even in Toronto, none of the publicly listed developments have achieved above Tier 2. It is possible that the performance standards of Tiers 3 and 4 are too stringent, or that the economic incentives are not deemed sufficient to warrant building to these higher standards.

The programs that offer monetary incentives (Toronto, Kingston, Caledon) for achieving higher green development standards are successful in that the programs are well-used, but they are capital-intensive to implement. These programs include a cap on incentives as a way to limit costs. While effective, this is not necessarily an economically viable option. Where possible, aligning with a higher level of government would be a better way to access capital for providing incentives.

## 5.3 Sustainability and Green Development – Senior Government Programs

Municipalities play a key role in the implementation of sustainability and GHG reductions as guided by the federal and provincial government. At the federal level, Canada has legislated a commitment to achieve net-zero emissions by 2050. This legislation affects all aspects of the Canadian economy, and in particular the under-development Green Building Strategy will provide guidance and tools for all other levels of government to implement measures for the built environment to meet this commitment. In addition to guidance and mandates, several federal programs provide incentives for the construction and retrofit of buildings to higher performance levels. In considering the implementation of a CIP or other incentive program specific to Richmond Hill, alignment with other existing programs should be a consideration to encourage uptake and maximize impact.

The following programs provide direct grants or favorable lending rates to projects that achieve ambitious sustainability, affordability, and accessibility targets. These programs provide a level of funding that are beyond the capacity of a single municipality to provide.

a. **National Housing Co-Investment Funding**

The National Housing Co-Investment Funding provides significant funding (capital and soft costs) for construction of new affordable and renovation/repair of existing affordable and community housing that are partnered with municipalities. Projects must achieve a GHG reduction of at least 25% below a baseline code building, have a minimum of 20% Barrier-free suites and have long term affordable rents for at least 30% of the units. The above are minimum targets, the program provides higher levels of financial incentives for achieving more ambitious targets. The program is funded to award $7.5 billion in grants and low-interest loans for projects across the country, individual project awards vary but are often in the range of several million dollars. This program also targets affordable housing, with many affordable housing projects funded through local incentive programs being financed through the National Housing Strategy. The Rental Construction Financing Initiative has similar sustainable design requirements.

b. **Federation of Canadian Municipalities Sustainable Affordable Housing program**

The Federation of Canadian Municipalities (FCM) Sustainable Affordable Housing program administers a federal fund to retrofit existing affordable housing and construct energy efficient new builds that emit lower GHG emissions. The program is offered to social housing providers that are supported by a municipality (non-profits, social organizations, and municipal operators.) The program similarly requires minimum targets for affordability and GHG emissions reductions but does not require expanded accessibility requirements. The National Housing Co-investment Funding and FCM funding are stackable and have been designed so that projects may access both funds.

The affordability requirements are similar, however the FCM requires that new construction projects meet net-zero energy targets, which is more stringent than the National Housing Co-investment fund. The Sustainable Affordable Housing program total is $300 million and individual projects may be awarded up to $10 million in a combination of grant funding and low-interest loans.

**c. Canada Mortgage and Housing Corporation's Mortgage Loan Insurance (MLI) Select**

Canada Mortgage and Housing Corporation's MLI Select is a multi-unit mortgage loan insurance product focused on affordability, accessibility, and climate compatibility. It offers preferential rates, higher loan-to-value ratios, and longer amortizations for projects that meet criteria for affordability, energy efficiency and affordability. The criteria contain levels of performance that are graded to achieve points, the higher number of points that each project receives, the more flexibility in the mortgage product. Projects achieving the highest performance levels would be eligible for a low-premium mortgage with a loan-to-value of 95% and a 50-year amortization. The program is open to all developers and building owners and not limited to non-profits or those partnered with a municipality.

In the design and implementation of a CIP or incentive program for sustainable building in Richmond Hill, alignment with other programs, especially well-funded federal programs should be considered.

## 5.4 Criteria for Sustainability Incentives

Richmond Hill's Sustainability Metrics include a broad range of performance indicators that measure sustainability across many areas and at different scales. Some of the measures are easier or more difficult to achieve for certain building types, sites, and stages in the development process. As outlined in the previous section, other programs focus on GHG emissions and energy efficiency as the primary sustainability metric. This approach allows for flexibility in how a project can meet these goals and encourages broader or more creative solutions that may meet those goals. The focus on energy efficiency and GHG emissions reduction is in direct alignment with federal legislation towards a net-zero economy. In selecting measures to include with a sustainability CIP or incentive program, ease of review, applicability across building type and sites and alignment with other funding programs should be considered.

## 5.5 Housing Retrofit

Most of the affordable housing in urban centres in Canada is found in aging apartment towers constructed at least 36 years ago. Despite this legacy housing providing affordable supply, these buildings are disproportionate contributors to

GHG emissions and are reaching the end of the lifespan of their major building systems.

A product of housing programs during the post-war boom, Canada experienced a surge in high-rise rental housing construction, peaking in the 1960s and 1970s. During this period, multi-unit rental housing developments outpaced single-family home construction nationwide. This substantial supply, made possible through targeted housing delivery programs, remains the backbone of the rental housing system today.

In many areas this housing is affordable, with legacy private apartment rental buildings providing rents below regional median or average levels. Preserving this housing and modernizing it to meet the challenges of the 21st century is an imperative. As a result, the retrofit of this housing is a current policy priority.

The most ambitious retrofits include full building modernization and net zero performance, and yet are less than half the cost of demolition and replacement. However, they remain capital intensive, costing as much as **$200,000** a unit. Amortized over 20 years, this could raise rents by as much as $1,000 per unit if costs are fully transferred to tenants.

To mitigate these costs a series of capital programs have been established federally, provincially (historic programs), and municipally (City of Toronto). These capital programs have enabled substantial investments in deep retrofit, primality in the not-for-profit sector, where low interest loans and grants are provided in exchange for decarbonization outcomes and affordability guarantees.

### 5.5.1 Deep Retrofits in Not-for-Profit Housing

Not-for-profit retrofits have been achieved by expanding project debt capacity (through lowered operation costs and marginally increasing rents), the use of low-interest and long-term Government backed finance products, and through access to direct public equity contributions (from CMHC, FCM, City and Provincial Partners.) This direct public investment has prevented thousands of housing units from going off-line. The decarbonization requirements have of these programs has enable impressive building performance gains with these retrofit buildings emerging as among the countries most ambitious.

Without deep capital support, maintaining affordability and achieving deep retrofit would not be possible.

### a. Local Case Study: City of Toronto High-Rise Retrofit Improvement Support Program (High rise Retrofit Improvement Support)

The City of Toronto's High-rise Retrofit Improvement Support (Hi-RIS) program, part of the Tower Renewal Program, offers funding to private property owners for energy-efficient and water conservation building improvements. This financing is provided at below-commercial rates and is not considered debt for the property owner. Instead, it is financed through the City and repaid via a special property tax levy.

To participate in the program, property owners apply, complete an energy assessment, and enter into an agreement with the city. Once the improvements are finished, a special charge—covering the cost of the works, finance cost, and administration fee—is added to the property tax bill. The owner repays this charge over an agreed term of 5 to 20 years. The payment obligation is tied to the property, not the owner, and is secured by the city's priority lien status.

As a program condition, property owners must agree not to apply for rent increases above the guideline set by the *Residential Tenancies Act* related to the funded improvements.

The maximum funding amount per property cannot exceed 10% of the property's Current Value Assessment (CVA), with a limit of $2 million per building. While this tool has primarily enabled intermediate to light retrofits rather than deep ones, it has facilitated essential work on private sector apartment housing while maintaining affordability.

## 5.6 New Construction

The commercial office market has seen a boom of low carbon and health based (Well Standard) building construction, with tenant comfort, health and positive environment impact expected by those in the market for AAA office space. The business case for these investments is built into the rent profile of these assets and marketed as an aspect of the cache of these buildings, which have occurred exclusively in high-value markets like Downtown Toronto and Vancouver.

A similar market expectation has not made its way into the private housing sector, and this pricing lever is not possible in the case of affordable or rental housing. However, it is in affordable housing where greatest recent gains have been made. This is primarily a result of capital programs (See Federal Program Section) available to support the development of affordable housing on condition that environmental targets be met. In the case of the FCM Sustainable Affordable Housing Fund, Zero Performance results in the greatest capital support – incenting a series of projects, to achieve these targets for the first time in Canada. These capital dollars have led to both housing and high performance.

Engaging in high performance construction requires an approach to building envelope, ventilation, heating, and cooling which deviates from the standard practice of the 'base code' regime in-force during most of the past decades' construction boom. However, new code requirements, particularly in British Columbia, municipal requirements, such as Toronto's Green Standard, institutional agendas, such as those by universities and other public bodies, and capital programs such as FCM, have over the past five years induced sufficient demand to increase the local supply chain and trade familiarity to achieving high performance. Canada is past the pilot stage with an increasingly robust high performance building sector.

Select measures include: Airtight, high performance and thermal bridge free envelope; triple glazed windows; heat recovery and heat pump heating and cooling (air source or hydronic; unitized or central). The market for these components and in situ testing data is becoming more robust as is constructor familiarity for their installation. A higher level of quality control for sequencing, components testing, building commissioning is required.

## 5.7 Differential Costs

Deep energy retrofit projects with a comprehensive building renewal mandate can cost as much as $200,000 per unit as discussed above. Most of this cost has been found to be related to addressing "state of good repair" objectives including building system replacement, suite modernization and removal of hazardous materials, while 25% of costs were directly attributed to energy related measures. This includes a 7% 'high performance premium' to achieve Net Zero or Passive House Standard[14].

On the other hand, our analysis shows high sustainability features could increase construction costs by nearly 7% as identified by **Table 7**.

### 5.8 Summary: The Municipal Role in Sustainability Programming

In reviewing the Ontario context, we found that the most effective role of the municipality is to set standards for sustainable development through a green standards program, specifically those that include Sustainable Technologies Evaluation Program (STEP); programs laying out clear increases to base performance expectations over time. By adopting new versions of the green standards continuously and making the implementation timeline public, it allows time for markets to adapt to current standards while preparing for future changes. In this way, the municipality provides forward guidance to the development community.

In terms of providing incentives, there are currently no programs in North America where municipalities cover the full incremental costs of meeting advanced or 'Peak Performance' standards, which are here calculated to be in the range of $32,000 per unit. These can vary greatly from project to project, yet they are an order of magnitude higher than development charge rebates. An incentive program (CIP) that does cover full costs would be a significant budget item. Kingston, which offers grants for incremental capital costs, has capped the amount that a project can receive for this reason. In the case of Toronto, direct incentives for Tier 2 + project are similarly modest. Uptake in these projects by private developers has been low, but for a limited number, the prestige associated with sustainable design has matched Environmental, Social and Governance (ESG) and marketing objectives, with modest cash incentives a

[14] Ken Soble (2021), Tower Transformation: A Case Study in Deep Retrofit and Housing Renewal, CMCH and ERA Architects; Retrieved from: https://towerrenewal.com/research-reports/ken-soble-tower-transformation-a-case-study-in-deep-retrofit-and-housing-renewal/

further ‘pull’ factor. And as ‘Tier 1’ base performance increases, developers take these on as a matter of course.

In the context of unlimited funds, a per unit subsidy to achieve sustainable goals will quickly move the market. This is the strategy of the European Union’s Green Deal which dedicates over €500 billion Euros in direct subsidy toward the green transition. In the context of scare funding, targeting actions to augment existing funding may be prudent.

Where high performance buildings are occurring tend to be public projects in jurisdictions where net zero performance for public projects are required, and in projects that quality for existing Federal funding tied to affordability and performance criteria, such as the FCM and CMHC programs mentioned in this report. There is therefore an opportunity for partnership and alignment with other levels of government that have greater capital cost capacity to cover gaps and encourage developers to make greater investments.

The municipality also has potential to act as a concierge or accelerator of projects by linking provincial and federal programs to government or non-profit housing providers. An example of this is the Housing Secretariat in Toronto, which creates and maintains affordable housing. The Housing Secretariat delivers federal and provincial affordable housing programs by working with the private and non-profit sectors. There could be an opportunity to adapt this model for green development standards.

While none of the programs reviewed in the context survey provide priority development approvals, this could be an effective incentive option. The municipality would not have to provide any capital, but shortening the development approvals timeline would appeal to developers.

The best role for a municipality is to set the standard and provide forward guidance for market certainty regarding sustainable design guidelines and practices. By using green standards that are continuously and transparently updated, municipalities can set expectations for the development community about the level of sustainable design that is mandatory.

Following are additional recommendations as it relates to seeking both sustainability and affordability objectives in tandem:

- Directly partner with other (federal) programs that have a sustainability and affordability mandate.
- Offer public land at reduced or zero land costs for affordable housing developers that meet sustainability and affordability criteria for a set time.
- Focus on a smaller number of the most impactful projects. This would be a way of concentrating resources to ensure successes without using a large amount of capital. An open call for delivery partners could be part of this process.

In summary, private commercial actors engage in known proformas responding to the regulatory environment. Deviating from known models presents a perceived market risk which often requires both a project champion and significant cash incentive. Affordable housing developers on the other hand have shown an existing willingness to engage in high-performance buildings via the requirements of existing funding programs, and they are often led by champion owners pushing a broad social vision. Calibrating program design to support these developers may be a 'win-win' in supporting both affordable housing supply and high-performance design.

## 6.0 Findings and Direction

Following are key findings from this analysis, which frame a basis for future discussion and decision making as Richmond Hill begins consultation and contemplates a potential incentive strategy to incent outcomes that align with its affordable housing and sustainability objectives.

- Overall, the analysis suggests it is expensive to incent affordable housing and sustainable design (upwards of $400,000 per unit for affordable housing and over $30,000 per unit for sustainable design). Currently there are no municipal programs that formally combine both objectives within the same incentive program.

- Notwithstanding the above, some affordable housing incentive programs do have sustainable design requirements in an indirect manner. This is accomplished through the understanding that most affordable housing projects will be financed/funded through the National Housing Strategy, which has requirements for sustainable design and accessibility.
    - Further, many affordable housing providers will seek to implement high sustainability within their project in order to reduce operating costs. However, as illustrated in this analysis, this will add costs to the project that are not offset by the operational savings, and they will therefore require direct capital funding to advance.
- As illustrated in the case study review of relevant programs, some communities attempting to offset sustainable design costs (e.g., Toronto) often do not offer subsidies through a CIP or other formal program. Rather, development charges are automatically offset if a project meets the sustainability score. This is effective because both the sustainability score and development charge are determined at the same time, at building permit.
    - The above is accomplished by building the incentive directly into the Development charge By-Law. It is effective because it provides certainty to the developer that the incentive will be granted, without the need to formally apply to a program and any risk they are not approved. It also reduces the administrative burden to the municipality of having to administer an incentive program.
    - Other programs do offer incentives through a CIP (e.g., Caledon, Kingston). In this scenario, both grants and tax rebates would be effective incentives to encourage these outcomes.
    - There could also be non-monetary incentives for sustainable design. Priority development approvals would be an effective incentive option. The municipality would not have to provide any capital, but shortening the development approvals timeline would appeal to developers.
    - A critical role the municipality can play is to link applicants to existing funding offered by other tiers of government and removing barriers for applicants to access those funds. This could take the form of specialized

staff support offered by the City of Richmond Hill directly to applicants and maintaining an active roster of relevant and available funding streams.

- Incentive programs to retrofit older rental buildings already exist through the National Housing Strategy, which also have requirements for the project to remain affordable. Given that Richmond Hill does not have infinite financial resources available to incentivize all outcomes, it is likely not strategic that additional municipal capital dollars be allocated to this objective.
- For Affordable housing, either a CIP or MCFA is an appropriate mechanism for incentivizing affordable housing. A MCFA is a simpler tool that is easier to implement, has more flexibility, has more incentives available, and can be more easily amended over time relative to a CIP. However, it is limited in its ability to incent broader objectives such as sustainable design. The City could select either mechanism, and program design could be identical regardless of which is selected. Given that the City is already proceeding with the required consultations and public meetings, as well as the multiple objectives under consideration, a CIP is likely the right tool.
- An affordable housing incentive program should aim to fill as much of the financial gap as possible, while also leveraging funding from senior government programs. This is challenging because of the substantial financial contribution necessary, but also understanding that no "single subsidy" will work for every application. Every project will be unique in terms of project costs, return expectation, price paid for land, grants and funding already secured from other sources, financing terms, equity available, and many others. Subsidy requirements will also shift from year to year as there are economic and cost shifts.
  - This is why recent incentive programs have moved away from offering a single package of incentives typical of many CIPs (e.g., waived development charges, TIEG, planning application fees, etc.) and towards offering capital funding on a competitive basis where applicants apply and justify the level of subsidy they require (e.g., Toronto, Peel, Durham programs).
  - While the process of offering capital funding on a competitive process requires that the municipality evaluate proformas and negotiate with

individual applicants, it also ensures the program is flexible and offers an incentive amount that results in a viable project. The internal capacity of Richmond Hill to review proformas and respond to applicants will be a key determinant as to whether this structure should be pursued.

  - For incentive programs that do not completely fill the gap, and particularly if only a small portion of the gap is filled, groups will likely not apply. If applicants or developers do apply, as evidenced through other incentive programs in the previous section, they often tie up municipal capital for a number of years as they secure other sources of funding, with modest success of actually advancing the project. These types of programs, while not offering enough subsidy on their own, are offering incentives anyway because they want to offer some level of assistance. These incentives become a ‘piece of the puzzle’ where projects must secure other sources of funding through government programs or fundraising efforts.
  - Alternatively, the City can advance a ‘set incentive package’ that is offered to applicants who meet the identified eligibility criteria. The most effective incentives will include grants as well as offsetting property taxes and will seek to leverage and stack as much funding as possible from York Region and senior levels of government. If this structure is pursued, opportunities to include a significant package of incentives, flexibility in administration, and competition for funding should be explored. Putting these pieces in place will assist groups with their housing plans, even if the full financial gap is not addressed at the local level.
  - Incentives for market-rate rental, affordable rental, and non-profit affordable ownership groups all appear appropriate based on the analysis.
- Any incentive program should apply City-wide. Affordable housing is a broad objective and should not be limited by an artificial geographic constraint. Like the programs highlighted in Peel and Durham, the program should apply City-wide, with locational criterion used to evaluate applications if funding is to be allocated on a competitive basis.
- Incentivizing lower cost outcomes like additional residential units will be significantly less expensive, however the limitations of this housing form in

terms of incentive take-up and addressing the housing needs in Richmond Hill are notable as evaluated in the previous section of this report. ARU can be incented using lower cost options such as loans, forgivable loans, and smaller grants.

- We would recommend that Richmond Hill collaborate with the Region of York to combine funding into a single regional incentive program, similar to what is being done in the Region's of Peel and Durham.

As a next step, the City of Richmond Hill, together with NBLC, ERA Architects, and stakeholder consultation, must begin making decisions regarding the outlook of a future incentive program based on this analysis. This should include:

- Which outcomes does the City want to incentivize?
- What is the program budget at launch, and on an annual basis moving forward?
- Does the City have the expertise to review proformas and negotiate with applicants?
- Will York Region be involved and stack funding?
- Is a CIP or MCFA the appropriate tool?
- Which incentives are to be deployed?
- Which program structure works best for Richmond Hill?
- And other similar considerations.

## Appendix A – Additional Residential Unit Incentive Program Review

Research on Incentives for Additional Residential Units

| Municipality | Program | Program Description | Incentives Offered | Eligibility Requirements | Other | Program Success | Lessons Learned | Links |
|---|---|---|---|---|---|---|---|---|
| Leeds Grenville | OPHI Secondary Suite Program | Funded by MMAH, the program is intended to increase the supply of affordable rental housing for low-income households. | • 15-year, interest free forgivable loan<br>• Maximum eligible funding is based on the cost of approved work items and HST<br>• Payable up to $25,000 | • Renovations to an existing secondary suite are not eligible<br>•Period of loan forgiveness is 15 years, amortized equally over the 15-year period from the project completion date<br>• Only one secondary suite may be funded per applicant/per property<br>• Applicants must own property and is primary residence | 2022 Maximum Rents:<br>• Bach - $769<br>• 1B - $900<br>• 2B - $1,052<br>• 3B - $1,249 | | | •https://www.leedsgrenville.com/en/services/resources/Housing/SecondarySuites/OPHI-Secondary-Suite-Program---Fact-Sheet.pdf<br>•https://omssa.com/blog-secondary-suite-funding-leeds-grenville-jun-2022.php |
| Prince Edward County | Secondary Suites Subsidy - Pilot Project | The pilot is intended to provide homeowners and small landlords (fewer than 10 units) with non-repayable loans of up to $25,000 to create or substantially renovate secondary units.<br><br>In early 2022, Council approved $200,000 from the reserve for affordable housing to develop a secondary suite pilot program | • Interest-free, non-repayable loan forgiven on the condition that the unit is rented to long-term tenants for a minimum of 15 years | • Be 18 years or older with the application signed by all members of the household who are registered on the deed.<br>• Be a Canadian Citizen, Landed Immigrant, or have Refugee Claimant Status and have no deportation order under the Immigration Act (Canada) against any member of the household or no departure order or exclusion order under the Immigration Act (Canada) has become effective with respect to any member of the household who is also a registered owner of the property.<br>• Not be in arrears with the municipality (property taxes, water billing payments, other).<br>• Not have any building, bylaw or zoning orders against the applicant or the property.<br>• Have property insurance that is paid up-to-date with coverage to its full replacement value.<br>• Have a mortgage that is paid up-to-date.<br>• Not be in the process of applying for bankruptcy or have an active bankruptcy filed personally, or for their business.<br>• Agree to rent their secondary suite as long-term rental.<br>• Agree to pay back the loan in full and with interest if any aspects of the repayment terms and conditions are not adhered to.<br>• Agree to provide a copy of the annual tenancy agreement to the municipality. | • Homeowners can choose the rent to be charged each month<br>• Program is currently closed and will be brought to Concil in 2023 for consideration | • Under OPHI only 4 secondary suites were funded in the 2016-2017 fiscal year | • 2022 program in response to limited uptake of the provincial government's OPHI program<br>• A municipally managed program is likely to provide greater flexibility as renters would not be required to fit within an income threshold | •https://www.thecounty.ca/residents/services/building/secondary-suites-subsidy-pilot-project/<br>•https://www.countylive.ca/council-to-examine-subsidy-program-to-encourage-renting-of-secondary-suites-long-term/comment-page-1/ |
| Region of Peel | My Home Second Unit Renovation Program | The goal of this program is to assist homeowners with transitioning their existing, unregistered second unit to be a legal, registered second unit. The program does not apply to constructing a new second unit in a home. | • Forgivable loan up to $20,000<br>• Homeowners can receive an additional $10,000 if they rent to a tenant referred by the Region | • Have an existing second unit (for example, an apartment) with a full kitchen, washroom, and separate sleeping area already built.<br>• Unit must be liveable at time of application. Region of Peel Home Inspector will verify during initial inspection.<br>• Live in the home that has the existing second unit.<br>• Have a gross household income of $116,610 or less. | • Must rent unit at an affordable rate for a period of 10 years<br>• Loan amount is registered as a mortgage in second position on the title to your home for 10 years<br>• Must ensure rent does not exceed an affordable rate in accordance with CMHC market for 10 years<br>• Must rent to tenant with a maximum household income of $65,077 or less<br>• Must complete mandatory landlord and human rights training provided by the Region | | | https://www.peelregion.ca/housing/second-unit-renovation-program.asp |
| Niagara Region | Niagara Renovates | The Niagara Renovates Program is a new program for low and modest income households in Niagara that funds affordable housing repairs, housing modifications for persons with disabilities and the creation of secondary suites in single family homes | • Fully forgivable loan up to $25,000<br>• Written off at an equal amount over at 15 year period | • Must have modest floor space and amenities<br>• Must have rents at or below CMHC average market rents | | | | https://www.nrh.ca/pdf/Homeowner-Secondary-Suite-Fact-Sheet.pdf |
| City of Welland | Niagara Renovates | Same as Niagara Region | Same as Niagara Region | Same as Niagara Region | The City of Welland's Official Plan from May 2010 has a policy which permits one accessory dwelling unit in single detached and semi-detached dwellings through a Zoning By-law or minor variance application. In addition, the current Zoning By-law allows duplexes, which could include secondary suites, in certain areas of the City. | | • According to local staff, the City's secondary suite policy and the new draft Zoning by-law has already garnered considerable interest from residents who want to add a secondary suite to their existing dwelling so their elderly parents can live near them as well as from developers who see it as a marketing tool that will appeal to the changing demographics of the area.<br>• The City found that public consultations were key in the success of its secondary suite policy. Public consultations were undertaken prior to developing the policy which allowed the public to provide their input from the start and have their questions answered<br>• Simplifying the policy and application process to avoid detering people from applying to the progra. The City felt that if they made the policy and process too onerous, people would just build illegal suites. | https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/cmhc/pdfs/content/en/secondary-suites-case-study-welland.pdf?sv=2020-02-10&ss=b&srt=sco&sp=r&se=2024-03-30T20:07:16Z&st=2021-03-30T12:07:16Z&spr=https&sig=zphoCuN3v1pBl42RCAx1EaitvCCwi6S7%2BcL5IgMH2RY%3D |
| County of Simcoe | Secondary Suites Program | This program provides nearly $1 million in forgivable loans annually across the County of Simcoe to homeowners who wish to create affordable rental secondary suites in their homes or garden suites. | • 15-year forgivable loan of up to a maximum of $30,000 to create a secondary or garden suite | • Rents must be at or below the Average Market Rent as established by Canada Mortgage and Housing Corporation for a period of 15 years<br>• Ingoing occupant(s) of the rental unit must have a maximum household income below an amount as established by the Ministry of Municipal Affairs and Housing<br>• Annual reporting of rental amounts is required<br>• Units must be modest in terms of foor space and amenities<br>• The use of energy-saving products and/or systems are strongly encouraged | Maximum Market Rents (Including Utilities):<br>Barrie/Innisfil/Springwater/Essa:<br>•Bachelor Unit: $941<br>•1 Bedroom Unit: $1,187<br>•2 Bedroom: $1,393<br>Collingwood/Wasaga Beach/Clearview:<br>•Bachelor Unit: $993<br>•1 Bedroom Unit: $1,003<br>•2 Bedroom: $1,192<br>Midland/Penetanguishene/Tay/Tiny:<br>•Bachelor Unit: $865<br>•1 Bedroom Unit: $929<br>•2 Bedroom: $1,074<br>Orillia/Oro-Medonte/Ramara/Severn:<br>•Bachelor Unit: $739<br>•1 Bedroom Unit: $972<br>•2 Bedroom: $1,111<br>Bradford West Gwillimbury/New Tecumseth/Adjala-Tosorontio:<br>•Bachelor Unit: $962<br>•1 Bedroom Unit: $1,003<br>•2 Bedroom: $1,197 | | | https://www.simcoe.ca/SocialHousing/Documents/Fact%20Sheet%20-%20Secondary%20Suites%20June%202022.pdf |

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| City of Kingston | Second Residential Unit Affordable Housing Grant Program | The City is offering the Second Residential Unit Affordable Housing Grant Program to stimulate homeowner investment to create alternate housing options within the City.<br><br>To complement existing affordable housing programs available within the City, the grant program is now being offered to allow homeowners to participate in the creation of additional modestly priced rental housing within the City. | • The grant provides a forgivable loan of the lesser of $15,000 or 75% of the costs associated with developing a second residential unit.<br>• Forgivable loan of up to $7,000 that aims to help cover municipal application fees | • Prticipants of the program must commit to renting the suite at an affordable rate for an agreed upon period of time and to a household that meets certain household income criteria | Average Market Rent<br>•Bachelor Unit: $912<br>•One Bedroom: $1,178<br>•Two Bedroom: $1,402<br>80% of Average Market Rent (Affordable Rent)<br>•Bachelor Unit: $730<br>•One Bedroom: $942<br>•Two Bedroom: $1,122 | | | https://www.cityofkingston.ca/-/article-housing-second-residential-unit-affordable-housing-grant-program-guidelines-1 |
| Town of the Blue Mountains | Additional Residential Unit Program | This program provides financial assistance to improve, convert legalize or construct new attainable dwelling units that may otherwise be cost prohibitive. The Program will be administered as both a grant and a loan | • Grant value: 50% of eligible costs to a max of $15,000<br>• Loan value: 50% of eligible costs to a max of $30,000 | • The minimum number of new attainable housing units within a development shall be one.<br>• The applicant will include a<br>description of the proposed<br>improvements and an estimate of<br>costs. The estimation of costs must<br>be from a qualified licensecontractor and shall be consistentwith the cost estimate indicated onthe accompanying building permit<br>application. | | | | https://www.thebluemountains.ca/sites/default/files/2021-11/Community%20Improvement%20Plan%20-%20Housing%20within%20Reach.pdf |
| City of Hamilton | ONTARIO RENOVATES SECONDARY SUITES RENOVATION GRANT PROGRAM | The City of Hamilton, through the Ontario Priorities Housing Initiative (OPHI) is implementing the Ontario Renovates Secondary Suites Forgivable Loan Program aimed at increasing the supply of affordable rental units in the private market, while creating an opportunity for homeowners to generate additional income. | • $30,000 in the form of a $25,000 forgivable loan, and an additional grant of $5,000 if accessible modifications are included in the project. | • The project is to be completed on the property of a homeowners sole and principal residence.<br>• Mortgage payments and City property taxes are paid and current, and property insurance coverage for full value of home is in place.<br>• The homeowner's total annual household income does not exceed a maximum of $92,500<br>• The amount of rent charged for secondary suite is below the maximum permitted during the 15- year term of the agreement<br>• The future tenant's household income is below the maximum permitted<br>• The secondary suite meets applicable Zoning By-Law and Building Code Regulations<br>• If you are not completing the work yourself, the work must be completed by a contractor licensed to work in the City of Hamilton | Average Rents<br>•Bachelor: $914<br>•1 Bedroom: $1,095<br>•2 Bedroom: $1,270<br>•3 Bedroom: $1,497 | The City has successfully created an enabling environment for the implementation of the Secondary Dwelling Units Strategy through the changes made on the City's comprehensive Zoning By-Law No.05-200 approved by Council on May 14, 2021. Since 2017 there have been 28 building permits issued for secondary dwelling units, including 16 since implementing changes to the City's comprehensive Zoning By-Law. | | https://www.hamilton.ca/people-programs/housing-shelter/supported-housing/ontario-renovates-programs |
| Region of Waterloo | Ontario Renovates Program | Thr program is a component of the investment in Affordable Housing for Ontario program is being delivered by the Region of Waterloo on behalf of the Federal and Provincial government. | Recipients can receive a maximum of $25,000 per property, which includes a grant portion for accesibility modifications, if required, of up to $5,000. The loan is interest-free and forgivable after 15 years, provided there has been no default under the terms of the loan. | • The applicants must reside in the home • Your home is a single family home with a maximum value of $505,469<br>• The new unit is self-contained and conforms to municipal zoning and building requirements<br>• Your future tenant's household income is below the maximum permitted<br>• The amount of rent you want to charge for the secondary suite is below the maximum permitted | If the home is sold before 15 years, the applicant will have to pay back the outstanding amount of the loan they received. The loan decreases in amount at an equal value over the 15 years. | | | https://www.regionofwaterloo.ca/en/living-here/funding-for-secondary--in-law--suites.aspx |
| City of Mississauga | Region of Peel: My Home Second Unit Renovation Program | Second Units are one component of Housing Choices: Mississauga's Affordable Housing Strategy and Action Plan. The need for an affordable housing strategy is identified in the City's Strategic Plan as part of the Belong Pillar. This pillar focuses on the needs of youth, seniors and immigrants. | Same as Region of Peel | Same as Region of Peel | Implementation Strategy:<br>• official plan policies to permit them;<br>• zoning regulations to identify where they are appropriate;<br>• licensing requirements to ensure health, safety and property standards are met;<br>• an education program; and,<br>• support from key stakeholders/partners. | | Permitting second units does not typically result in a large influx of new units and residents. A review of municipalities where second units are permitted, including Toronto and Ottawa, found that between 20 and 50 new second units are established each year | https://www.cip-icu.ca/Files/Awards/Planning-Excellence/Housing-Choices-Second-Units.aspx |
| City of Toronto | Garden Suites | Through adoption of the OP and ZBL amendments, council has put policies in place to increase the supply and type of housing available in the City. The new policies and zoning requirements will allow garden suites to be permitted on properties in most residential zones across Toronto. | • Development Charges (DC) Deferral Program for Ancillary Secondary Dwelling Units - allows for a DC deferral for eligible property owners developing a secondary dwelling unit at the rear of a property<br>• Affordable Laneway and Garden Suite Program - provides funding in form of a forgivable loan of up to $50,000 for eligible property owners developing a laneway or garden suite. The loan will be forgiven in 15 years from the date when the first tenant occupies the laneway suite. The rent being charged cannot exceed the City of Toronto Average Market Rent (opens in new window), by bedroom type at any time during the 15 year affordability period. | Development Charges (DC) Deferral Program for Ancillary Secondary Dwelling Units:<br><br>• property must be located within an area permitted by By-laws 810-2018 and 1210-2019<br>• must conform with applicable zoning and other by-laws as determined by Toronto Building<br>• must have applied for building permit<br>• must enter into a DC Deferral for Ancillary Secondary Dwelling Units Agreement with the City<br><br>Affordable Laneway and Garden Suite Program:<br><br>• must own a single family home abutting a public lane and is located within an area permitted by By-laws 810-2018 and 1210-2019<br>• must conform with applicable zoning and other by-laws as determined by Toronto Building through a zoning certificate or building permit<br>• must have applied for building permit<br>must enter into an Affordable Laneway Suites Contribution Agreement with the City<br>• must be approved for the Development Charges Deferral Program for Ancillary Secondary Dwelling Units | | • Monitoring report has not yet been published | | https://www.toronto.ca/city-government/planning-development/planning-studies-initiatives/garden-suites/ |
| City of Toronto | Laneway Suites | On June 28, 2018, City Council adopted the Official Plan and Zoning By-law amendments permitting Laneway Suites in R zones under Zoning By-law 569-2013 in the Toronto and East York District<br><br>On July 16, 2019, City Council adopted the Official Plan and Zoning By-law amendments permitting Laneway Suites in R, RD, RS, RT and RM zones under Zoning By-law 569-2013 across the City.<br><br>On December 15, 2021, City Council adopted the Zoning By-law Amendment to implement changes as a result of the City's Review of Laneway Suites – Monitoring Program | Same as above | Same as above | | • The zoning By-law generally allows for as-of-right development of laneway housing.<br>•The majority of building<br>permit applications received (74%) do not require a minor variance for the same property<br>• As of October 2021, 306 building permits were associated with laneway suites<br>• 185 applications for minor variance made to CoA for laneway suites<br>• 65% of the above had been approved | | https://www.toronto.ca/wp-content/uploads/2021/10/9739-CityPlanningLanewaySuitesOct2021.pdf<br><br>https://www.toronto.ca/legdocs/mmis/2021/ph/bgrd/backgroundfile-173157.pdf |

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| Guelph / Eramosa | Additional Residential Units Amendment | The purpose of Amendment 72 is to update the accessory apartment and coach house objectives, policies and definitions in the Official Plan in accordance with policies and regulation for additional residential units in the Planning Act. | | | OPA 72 revises the accessory apartment policies to permit additional residential dwelling units within medium density residential | • As noted in CMHC's "Secondary units in Ontario: municipal estimates and what contributes to disparities" Guelph ranked third for prevalence of secondary suites | | https://pub-guelph.escribemeetings.com/filestream.ashx?DocumentId=11224<br><br>https://www.get.on.ca/uploads/userfiles/files/Proposed%20Changes%20Chart%20(April%2014%202022).pdf |
| City of Brampton | Additional Residential Units - OPA & ZBL | Additional Residential Units (ARU) are self-contained residential dwelling units, with their own cooking facility, sanitary facility and sleeping area, and that it is located either within a single detached, semi-detached or townhouse dwelling (second unit) or within an ancillary building (garden suite). This project was an early deliverable of Housing Brampton, which aims to support the provision of age-friendly and inclusive housing that is affordable and accessible to all. | Same as Region of Peel | Same as Region of Peel | Council adopted City-Initiated Official Plan Amendment and Zoning By-law Amendment to Implement Additional Residential Units (Second Units and Garden Suites) Regulations By-laws at Council on August 10, 2022.<br><br>• The City adopted a city-wide ARU policy framework in August 2022 permitting up to two ARUs per residential lot: one attached within the principal dwelling (a Second Unit or Basement Apartment), and one Garden Suite.<br>• Bill 23 now requires municipalities to permit up to two ARUs per residential lot, either<br>one attached ARU and one garden suite, OR two attached ARUs. | • As noted in CMHC's "Secondary units in Ontario: municipal estimates and what contributes to disparities", Brampton ranked second for prevalence of secondary suites<br>• As of January 2023, there are 15,727 registered Second Units in the City. | • Following Bill 23, there have been several inquiries regarding construction of Garden Suites, however no formal applications have been submitted as of Jan 2023<br>• Incentives and programs have caused an increase of applications greater than what City staff have the ability to handle<br>• Unregistered units have caused safety issues as a number of fires have started in unregistered basement apartments | https://pub-brampton.escribemeetings.com/filestream.ashx?DocumentId=24155<br><br>https://www.brampton.ca/EN/residents/Building-Permits/second-dwelling/Pages/TwoUnitMap.aspx<br><br>https://www.brampton.ca/en/business/planning-development/housing-brampton/pages/additional-residential-units.aspx<br><br>https://pub-brampton.escribemeetings.com/filestream.ashx?DocumentId=54597<br><br>https://pub- |
| Greater Sudbury | Secondary Dwelling Units | On July 12, 2016, City Council approved the amendment to the Official Plan and Zoning By-law 2010-100Z to permit Secondary Dwelling Units within the City of Greater Sudbury. These policies were updated in 2020 to permit up to two Secondary Dwelling Units on a property, for a total of up to 3 dwelling units. | | | Greater Sudbury removed the requirement to apply for a re-zoning on your property in order to permit a secondary dwelling unit. | | | https://www.greatersudbury.ca/live/building-and-renovating/secondary-dwelling-units/secondary-dwelling-user-guide/<br><br>https://opendata.greatersudbury.ca/documents/Sudbury::secondary-unit-registry-excel/about |