



Staff Report for Council Public Meeting

Date of Meeting: June 25, 2024

Report Number: SRPBS.24.076

Department: Planning and Building Services

Division: Policy Planning

Subject: SRPBS.24.076 - Draft Community Improvement Plan for Affordable Housing and Sustainable Design - Request for Comments - City File CIP-24-0001

Purpose:

A request for comments on the draft Community Improvement Plan (CIP) for Affordable Housing and Sustainable Design.

Recommendation:

- a) That Staff Report SRPBS.24.076 regarding a draft Community Improvement Plan for Affordable Housing and Sustainable Design be received for information purposes and that all comments be referred back to staff.

Contact Persons:

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Report Approval:

Submitted by: Gus Galanis, Acting Commissioner of Planning and Building Services

Approved by: Darlene Joslin, City Manager

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

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Location Map:

The draft CIP for Affordable Housing and Sustainable Design applies City-wide.

A copy of the draft By-law Designating CIP Project Areas can be found in Appendix D of this staff report.

Background:

Introduction

To help address two critical issues in Richmond Hill, a background study and a draft Community Improvement Plan (CIP) for Affordable Housing and Sustainable Design has been prepared. Housing affordability is a growing concern in Ontario, but it is especially pronounced in the Greater Toronto and Hamilton area. According to Census data, Richmond Hill had the highest proportion of households experiencing housing unaffordability out of the nine local municipalities in York Region in both 2016 and 2021.

In 2021, more than half (51%) of all renter households and one-third (33%) of owner households are spending 30% or more of their income on shelter costs. Climate change is another critical issue affecting local communities and where municipalities, such as Richmond Hill, can improve resiliency through sustainable design and low carbon initiatives. Like many other communities in the Greater Toronto and Hamilton Area 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.

This purpose of this staff report is to provide Council and the public with an outline of the direction proposed to address these issues, an overview of the CIP project and findings, and a draft CIP for comment.

Background Context

Affordable Housing

The City has been working on various initiatives and programs to address housing affordability in Richmond Hill which included the endorsement of an [Affordable Housing Strategy](#) (the Strategy) by Council at its meeting of [November 24, 2021](#). The Strategy provides goals and targets related to the provision of affordable housing. The Strategy also provides 44 tools and actions the City can put into place to address housing gaps and needs in Richmond Hill. One of the recommended financial tools and actions from the Strategy is the use of a CIP to incentivize purpose-built rental and affordable housing city-wide or in areas where inclusionary zoning is applied.

A CIP is a tool that can help improve a community by providing incentive programs to meet specific goals and community needs. Through CIPs, municipalities can:

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- focus public attention on local priorities and municipal initiatives;
- target areas in transition or in need of repair, rehabilitation and redevelopment;
- facilitate and encourage community change in a coordinated manner; and,
- stimulate private sector investment through municipal incentive-based programs.

In addition, the Strategy recommends using a CIP to encourage the retrofitting of older rental buildings so that they can improve accessibility and energy efficiency. If implemented, the CIP would help implement the Strategy's target of achieving 25% of all new residential development to be affordable to households with moderate and low incomes. Furthermore, the CIP would support 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.

Climate Change and Sustainable Development

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

The CEEP and Richmond Hill's Official Plan (2023) rely on the City's [Sustainability Metrics Program \(SMP\)](#) to advance sustainable development. The SMP is a scoring system used to encourage developers and builders to work with municipal staff to achieve healthy, complete, and sustainable communities. The SMP's green development standards are used by the City to quantify and evaluate the sustainability performance of new developments and promote sustainable design targets that go beyond Provincial and municipal requirements.

On January 27, 2021, Council approved several recommendations in Staff Report [SRPI.21.019](#) highlighting an overall update to the City's SMP. The updated SMP took effect in 2023. The background research for the updated SMP made recommendations on a multi-pronged approach to help developments achieve higher standards of sustainability by:

- creating awards and recognition for high performance projects;
- building capacity with the development industry and stakeholders through training and partnerships; and,
- providing financial incentives to support higher performing projects.

This proposed CIP will help implement the financial incentives identified in the SMP's background research.

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CIP Project Overview and Analysis

Legislative Authority

CIPs are authorized under Section 28 of the *Planning Act*, and they offer incentives in the form of grants, loans, lands, and tax assistance. A CIP is necessary for the delivery of incentives because, outside of a CIP or other legal mechanisms, municipalities are prohibited from assisting development through the granting of bonuses, as per Section 106 of the *Municipal Act*. This means that without a CIP or other legal mechanism, municipalities cannot give or lend money, lease and sell municipal properties at below market rates, or exempt levies, charges or fees.

To implement a CIP, a municipality must have enabling policies in its Official Plan. Richmond Hill has such enabling policies in Section 5.17 Community Improvement Planning of the City's Official Plan, which allow the City to designate a portion or all of the City as CIP area(s) as long as the CIPs satisfy one or more criteria, including those related to affordable housing and energy efficiency in buildings.

Project Overview

The City retained N. Barry Lyon Consultants and ERA Architects (consultant team) in 2023 to develop the CIP for Affordable Housing and Sustainable Design. The purpose of the CIP is 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. Future developments utilizing the CIP incentives funding/programming will become assets to the community as more affordable housing options become available and as more buildings are designed and constructed to lessen their impacts on the environment.

This project was scoped into five phases as outlined below. Currently, this project is in Phase 4 where a draft CIP is presented to the public and to Council for comments. Details of the first three phases are described in the next sections of this staff report.

- Phase 1: Background study that identifies community needs and jurisdiction scan of best practices. This phase includes a proforma analysis of the financial gaps for building affordable housing and green buildings
- Phase 2: Consultation with key stakeholders and the Steering Committee to identify key considerations for the development of a viable CIP, based on the analysis completed in the Background Study
- Phase 3: Development of a preferred program suite through a draft CIP
- Phase 4: Presentation and consultation on the draft CIP
- Phase 5: Refinement of the draft CIP based on feedback, adoption of the CIP and approval of the associated CIP by-law which designates the CIP area

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Background Study

In accordance with the Provincial guide on CIPs¹, a Background Study was completed in Phase 1. The Background Study provided research and analysis to help guide the direction and structure of a potential incentive program, as well as the context related to the required budget and overall feasibility of a CIP to achieve the City's objectives. A copy of the Background Report can be found in Appendix A of this staff report. The following summarizes the key findings of the Background Study.

Financial Costs of Incentives

- the financial gap to make a project financially feasible is significant for development projects that include affordable rental housing and sustainable design:
 - incentivizing affordable housing is expensive, with financial gaps ranging from \$150,000 to \$400,000 per unit based on the type of development, depth of affordability, affordable period, and other factors.
 - incentivizing sustainable design is also expensive, with financial gaps reaching over \$30,000 per unit based on the types of sustainable design elements.
- no single incentive will work for every development application because each project will be unique in terms of project costs, expectations on the return on investment, price paid for land, financing terms, eligibility for other incentive programs, and other factors. Consequently, any incentive program created by the City should be flexible to account for unique circumstances of each project.

Structure of CIP

- the CIP may also include grants that offset development fees and charges that are awarded automatically if the project meets certain basic standards, such as provision of a certain percentage of affordable units or sustainable design scores.
- the CIP may include large capital grants that are offered on a competitive basis through a request for proposal. The City could, for example, set eligibility criteria fairly low (e.g., market rate rental or affordable ownership housing), and rank applications using scored criteria such as depth of affordability, being close to transit and services, length of affordability, etc.
- the City may offer a hybrid model that combines both automatic incentives and a competitive grant. This would allow the City to prioritize deeper and longer affordability via the competitive grant, but also incentivize more basic outcomes (e.g., achieving a minimal threshold for affordability or sustainable design).
- the CIP does not necessarily need to entirely bridge the financial gap. If so, this means the City's funding package will only be a 'piece of the puzzle', where applicants will need to seek out other sources of funding, or only proceed under very specific circumstances (e.g., meet social and environmental objectives of the organization). However, the greater ability that the CIP can close the financial gap, the higher the likelihood that the project will advance to construction.

¹ Ministry of Municipal Affairs and Housing: Community Improvement Planning Handbook 2008.

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Combining / Separating Affordable Housing and Sustainable Design

- currently, there are no CIPs in Ontario that combine both affordable housing and sustainable design objectives within the same incentive program. Nonetheless, numerous Provincial and Federal funding programs (e.g., National Housing Strategy) combine affordable housing with sustainable design requirements. Most of these programs are geared towards non-profit housing providers.
- many Federal, Provincial and Regional funding programs are stackable – this means that funding programs may be combined with local municipal incentives to improve the financial feasibility of development projects.
- further, affordable housing providers will often seek to implement higher sustainable development standards within their project to reduce operating costs. However, this upfront investment will add costs to the project that may not be offset by operational savings for some time, and they will therefore require direct capital funding to advance.
- research shows that 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 waived or discounted if a project meets the sustainability score. This approach is effective because both the sustainability score and Development Charge are determined at the same time at issuance of Building Permit and can be accomplished by building the incentive directly into the Development Charge By-Law.

Other Considerations

- affordable housing may be incentivized through either a CIP or a Municipal Capital Facility Agreement (MCFA). A MCFA is similar to a CIP, but it is simpler and easier to implement; is more flexible, can offer more incentive options, and can be more easily amended over time compared to a CIP. However, a MCFA is limited in its ability to incent broader objectives such as sustainable design.
- since affordable housing and sustainable design is a broad objective, they should not be limited by an artificial geographic constraint. Hence, any incentive program targeting these objectives should apply city-wide.
- York Region is concurrently developing an Affordable Private Market Housing Implementation Plan with associated incentive programs. The City should consider leveraging this plan and aligning the City's CIP requirements with those proposed in Regional programs.
- outside of a CIP, incentives may be offered through other mechanisms, such as a fees by-law(s) that reduces or waives fees. Non-monetary incentives can also help reduce costs – these may include reduced parking requirements and fast-tracking of approvals, among other measures.

Stakeholder Consultation

Stakeholder consultations were completed in Phase 2. Two separate stakeholder meetings were held – one with the non-profit housing sector (April 3, 2024) and the

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other with the for-profit housing sector (April 4, 2024) along with a few environmental groups. Additionally, consultation was conducted with City staff and representatives from other levels of government through Steering Committee meetings. City Council was also engaged through a [Special Council Meeting Workshop](#) on May 14, 2024.

Key comments and input into the development of the CIP, received during the stakeholder consultation processes, included:

- the funding gap for building affordable housing is large and significant funding is needed to bridge that gap.
- the most effective or impactful incentives are capital grants, loans, tax increment equivalent grants, and public lands for affordable housing.
- sustainable design requirements applied too strictly may impact the feasibility of a project, hence it is important to set flexible sustainable design outcomes.
- there is a preference for a hybrid model where incentives are automatically given for basic outcomes, and larger capital/competitive grants are awarded for bigger outcomes (e.g., housing with deeper affordability and higher levels of sustainable design).
- having an in-house expert or concierge program would be helpful with identifying all funding programs, understanding requirements, and stacking of programs.
- funding for the CIP needs to be committed annually to ensure certainty of available incentives.

A summary of the feedback and comments from stakeholder consultation is attached as Appendix B to this staff report.

Draft Community Improvement Plan

Proposed Approach

The draft CIP has been developed to take into account the findings of the Background Study and the comments received from the stakeholder consultations. The draft CIP is based on three principles, as follows:

1. The CIP targets the type of housing that is most needed by the City, which is affordable rental housing;
2. The CIP must be effective in bridging a substantial amount of the financial gap for projects that include affordable rental housing and sustainable design; and
3. The CIP ought to offer the best value for municipal dollars that are being invested through incentives.

The CIP is intended to generate more supply of affordable rental housing, reach deeper affordability, promote longer duration of affordability, and achieve higher levels of sustainable design. Therefore, the framework for the CIP and the offering of incentives are designed to help manifest these outcomes. The table below summarizes eligibility criteria proposed in the draft CIP. A copy of the draft CIP can be found in Appendix C of this staff report.

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Table 1: Proposed Eligibility Criteria

Eligibility Criteria	Description
Geography	The draft CIP applies City-wide to capture all opportunities for the creation of affordable housing and sustainably designed buildings.
Housing Types	The purpose of the draft CIP is to increase the supply of new affordable rental housing by the private and non-profit sectors, which are currently not being provided by the market without assistance. Projects may contain 100% affordable units, or it may be a mixed income project with a portion of the units being affordable.
Number of Affordable Units Provided	A minimum of 15% of the units provided in a development must meet the definition of affordability, with a minimum project size of five (5) affordable units.
Affordable Rent	The maximum affordable rent is 125% of the average market rent, by bedroom types.
Affordable Period	Affordable units in a development project should remain affordable for at least 25 years.
Sustainable Design Threshold	Projects should, at minimum, meet the Silver threshold in the City's Sustainability Metrics Program.
Eligible Developers	Applicants may be private or non-profit developers; partnerships between private and non-profit groups are also permitted and encouraged.

Proposed Incentives

The design of the CIP incentives accounts for programs that applicants may already have access to when developing in Richmond Hill. These other programs include York Region's Development Charges (DC) Deferral for Affordable, Purpose-Built Rental Buildings, as well as cost offsets created by Bill 23, which have waived or reduced Development Charges, Parkland Dedication fees, and Community Benefits Charges². As such, the draft CIP, if approved, would supplement these existing programs with additional incentives that are above and beyond those cost savings created by York Region's DC deferral program and Bill 23.

The table below summarizes incentives proposed in the draft CIP. More details can be found in Appendix C of this staff report.

² Bill 23, *More Homes Built Faster Act, 2022* amended the *Development Charges Act* so that development charges are exempt for affordable residential units. In addition, Bill 23 exempts non-profit housing development and affordable residential units from parkland dedication or cash-in-lieu of parkland. Similarly, Bill 23 excludes affordable residential units from calculation of community benefits charge. These changes will be proclaimed on June 1, 2024.

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Table 2: Proposed Incentives

CIP Incentives	Description
Development Fees / Charge Grants	<ul style="list-style-type: none"> • This type of grant is offered to cover the municipal charges and fees imposed on developments. Potential fees/grant include waiving application fees for Site Plan approval and Building Permit, Parkland Dedication fees, Development Charges, and Community Benefits Charges. • This grant is automatically awarded for units that offer rents at or below 125% of the average market rent.
Tax Increment Equivalent Grant (TIEG)	<ul style="list-style-type: none"> • This type of grant is offered to cover the increase in property taxes as a result of new or redevelopment due to increased assessment value. • This grant is automatically awarded to projects with more than 10 affordable housing units and these units must, at minimum, make up 25% of the total residential units. • The TIEG would cover up to 100% of the increase in property taxes as a result of the new rental development. • The length of the TIEG will be 10 years for projects providing rents between 101% and 125% of average market rent, and 20 years for projects providing rents at or below 100% of the average market rent.
Capital Funding Grant	<ul style="list-style-type: none"> • This type of grant is a large pool of funds that will partially cover the capital costs of development. It is issued on a competitive basis annually. • The capital funding grant is awarded in addition to the development fees / charge grants and TIEG, if the applicant is successful in the Request for Proposal process (RFP). • Scoring for the RFP process will be based on projects that provide deeper affordability (rents at 80% of the average market rent), Gold performance level of the SMP, among other criteria. • Applicants will be required to demonstrate project feasibility.
Public Lands	<ul style="list-style-type: none"> • City-owned lands may be sold or leased at discounted costs in exchange for affordable housing. • A separate RFP process will determine the criteria and scoring for applicants. • Applicants will be required to demonstrate project feasibility.

Funding

Funding for a CIP may come from three sources: the City's tax base, Community Benefits Charges with \$3 million total allocation for affordable housing from 2022 to

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2031, or from other sources such as grants from other levels of government. The City was recently awarded \$31.1 million from the Federal Government agency Canada and Mortgage Housing Corporation for the Housing Accelerator Fund (HAF). Approximately \$20 million will be allocated towards the CIP development and implementation. It is important to note that the HAF is a one-time funding opportunity available until 2027, therefore, only a limited number of eligible development projects will be able to access this fund in the short-term. Beyond 2027, funding for the CIP will default back to the other sources unless HAF is extended, or other grants are provided to the City.

Implementation

In addition to refining the proposed CIP, staff will develop a proposed process to implement the program. Considerations for implementation will include:

- examining the impacts to staff, and other City resources;
- reviewing the long-term financial impacts to the City;
- considering the phasing of the proposed incentives, determining the financial resources required to sustain the CIP in the long-term; and,
- preparing guidance materials to support the administration of the CIP.

Next Steps

Upon receipt of this staff report for information, comments will be referred back to staff for consideration. In accordance with the *Planning Act*, staff will circulate the draft CIP to the Ministry of Municipal Affairs and Housing (MMAH) for review and comment. City staff will review any comments received by the public, stakeholders, and the MMAH, and bring forward a final draft CIP for Council's consideration of adoption in the fall of 2024.

Financial/Staffing/Other Implications:

The approved Planning and Building Services Department Capital Budget includes funding for this CIP study. At this time, there are no financial, staffing or other implications.

The draft CIP includes recommendations with respect to financial and funding implications. As such, there will be future fiscal impacts to the City that will be determined as the CIP is finalized in the fall.

Relationship to Strategic Plan:

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 CIP directly assists with implementing Council's 2024-2027 Strategic Plan including Pillar 1: Growing a Livable, Sustainable Community, Pillar 2: Focusing on People, and Pillar 3: Strengthening our Foundations.

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Climate Change Considerations:

The draft CIP for Affordable Housing and Sustainable Design directly supports climate change mitigation and adaptation by creating incentives that encourage development to achieve higher levels of sustainability. The CIP will fund affordable housing projects that will also achieve, at minimum, the Silver or Gold threshold in the City's Sustainability Metrics Program.

Conclusion:

The draft CIP is developed to support recommendations endorsed by Council from the Affordable Housing Strategy, the Community Energy and Emissions Plan, and the Sustainability Metrics Program. It is intended to help spur the development of affordable housing in the City and to encourage more green buildings that advance climate change mitigation and adaptation. This report has been structured for information purposes only, with a recommendation that all comments be referred back to staff for consideration.

Appendix Contents and Maps:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Appendix A – Background Study
- Appendix B – Stakeholder Consultation Summary
- Appendix C – Draft CIP for Affordable Housing and Sustainable Design
- Appendix D – Draft By-law Designating CIP Project Areas

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Report Approval Details

Document Title:	SRPBS.24.076 Draft Community Improvement Plan for Affordable Housing and Sustainable Design – Request for Comments.docx
Attachments:	<ul style="list-style-type: none">- SRPBS.24.076 - Appendix A Background Report.pdf- SRPBS.24.076 - Appendix B Stakeholder Consultation Summary.pdf- SRPBS.24.076 - Appendix C Richmond Hill Draft CIP.pdf- SRPBS.24.076 - Appendix D Draft Bylaw to Designate CIP Area.pdf
Final Approval Date:	Jun 7, 2024

This report and all of its attachments were approved and signed as outlined below:

Task assigned to Maria Flores was completed by delegate Michelle Dobbie

Michelle Dobbie on behalf of Maria Flores - Jun 5, 2024 - 12:39 PM

Gigi Li - Jun 5, 2024 - 12:53 PM

Gus Galanis - Jun 5, 2024 - 3:45 PM

Darlene Joslin - Jun 7, 2024 - 8:27 AM