

FORMAL REPORT

To: Chair Stratthdee and Members of Strategic Priorities Committee

Prepared by: Mark Stone, Planner

Date of Meeting: 15 May 2018

Subject: **DEV 21-2018 Affordable Housing in St. Marys**

PURPOSE

The purpose of this report is to provide Committee with an overview of the current state of housing in St. Marys, discuss key housing objectives and provide options to achieve these objectives. This report has been prepared at the request of Council based on the following resolution:

Resolution 2017-11-28-14

THAT Council direct staff to prepare a report back to Council by May 2018 regarding policies and approaches the Town can take to encourage attainable housing.

This report presents a large suite of policy tools and options for the Committee to consider as it relates to encouraging the development of attainably priced housing in St. Marys. A number of these have been captured by the Official Plan review, and these will be pointed out during the presentation of the report.

A number of the policy tools require consideration outside of the Official Plan review. That consideration will be the primary focus of this staff report. It is staff's goal that the Committee will identify those policies and options that they wish to have further investigation into.

RECOMMENDATION

THAT DEV 21-2018 regarding Affordable Housing in St. Marys be received; and,

THAT the Strategic Priorities Committee recommend to Council that the Town:

- a) Initiate a Town-wide amendment to the Zoning By-law to permit secondary units in single detached, semi-detached and townhouse dwellings subject to specific provisions to regulate potential issues such as parking;
- b) Engage in discussions with the development industry with respect to opportunities and potential issues related to implementing inclusionary zoning in St. Marys;
- c) Explore opportunities for pre-zoning certain lands for affordable housing following completion of the Official Plan review;
- d) Consider alternative development standards, following completion of the Official Plan review, through an update to the Town's Zoning By-law;
- e) Support the recommendations of the Official Plan review to consider options to permit standalone residential uses (e.g. low-rise apartment buildings) in the periphery parts of the Central Commercial area, provided such uses do not impact the primary commercial, service and tourism function of the downtown;
- f) Staff report back on the financial implications of:

- i. Proposed development charges discounts for new multi residential units constructed for a sale price of \$265,650 or rentals of approximately \$850 per month.
 - ii. Amending the multi-residential tax ratio from 1.1 to 1.0 for newly constructed rental apartments of 7 or more units
- g) Continue to provide land for affordable housing through the sale or leasing of surplus or underutilized municipally owned land, and consider maintaining a publicly accessible database to assist potential developers seeking to construct affordable housing and tenants seeking affordable housing vacancies.

REPORT

Housing is a critical factor when considering the quality of life and attractiveness of a community. Communities that can provide a variety of housing options in terms of type, form and affordability also see positive social, economic and health benefits as a result.

This report identifies and discusses options for achieving or implementing housing related strategic priorities and initiatives in the Town's Strategic Plan, and policies in the Provincial Policy Statement and the Town's Official Plan.

Given the wide variety of options and tools available to municipalities in Ontario, it is recommended that the Town consider as many opportunities to achieve community objectives with respect to housing. It is also important to recognize that not all options and tools are appropriate for each municipality in the province. The purpose of this report is to assist the Town in identifying possible options that are appropriate in the St. Marys context.

PLANNING CONTEXT

Provincial Policy Statement

Section 3 of the Planning Act requires that decisions affecting planning matters shall be consistent with policy statements issued under the Act. The Provincial Policy Statement (PPS) was issued under the authority of Section 3 of the Act. The PPS provides policy direction on matters of provincial interest related to land use planning and development, including the protection of resources of provincial interest, public health and safety, and the quality of the natural and built environment. Excerpts of sections of the PPS relevant to this report are provided as Attachment 1.

Section 1.1.1 of the PPS states that healthy, liveable and safe communities are sustained by promoting efficient development and land use patterns, accommodating an appropriate range and mix of residential (including second units, affordable housing and housing for older persons), and promoting cost-effective development patterns and standards to minimize land consumption and servicing costs.

Section 1.1.2 of the PPS states, in part, that sufficient land shall be made available in settlement areas through intensification and redevelopment and, if necessary, designated growth areas. Section 1.1.3.2 states that land use patterns shall be based on densities and a mix of land uses which: efficiently use land, resources, infrastructure and public service facilities; minimize negative impacts to air quality and climate change, and promote energy efficiency; and support active transportation. Section 1.1.3.4 states that "appropriate development standards should be promoted which facilitate intensification, redevelopment and compact form, while avoiding or mitigating risks to public health and safety".

Section 1.4 sets out specific policies related to housing. To provide for an appropriate range and mix of housing types and densities to meet projected needs, Subsection 1.4.1 states that planning authorities maintain at all times the ability to accommodate residential growth for a minimum of 10 years through residential intensification and redevelopment and, if necessary, lands designated for residential development. This subsection also requires that planning authorities maintain land with servicing capacity sufficient to provide at least a three-year supply of residential units available through lands suitably zoned to facilitate residential intensification and redevelopment, and land in draft approved and registered plans.

Section 1.4.3 also requires that planning authorities establish and implement minimum targets for the provision of housing which is affordable to low and moderate income households. The PPS defines 'low and moderate income households as:

- a) In the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area; or
- b) In the case of rental housing, households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.

Town Strategic Plan

In 2017, the Town updated the Strategic Plan to meet new public needs and expectations. Key priorities of the Town are reflected in six key strategic pillars: Infrastructure, Communication and Marketing, Balanced Growth, Culture and Recreation, Economic Development, and Housing.

Strategic Pillar 6, Housing, states that “the recent County labour market survey indicates an acute shortage of skilled workers, particularly in the ‘blue collar’ and agricultural sectors. The one barrier to supplying that labour is housing options. There need to be housing options that are affordable, attainable and even include rentals. This solution might also partially encourage youth and cultural practitioners to consider St. Marys as the place to live, work and play”.

The following table provides a summary of strategic priorities, outcome statements and initiatives under the Housing Strategic Pillar relevant to the topics discussed in this report.

Table 1. Town of St. Marys Strategic Plan – Summary of Housing Strategic Pillar

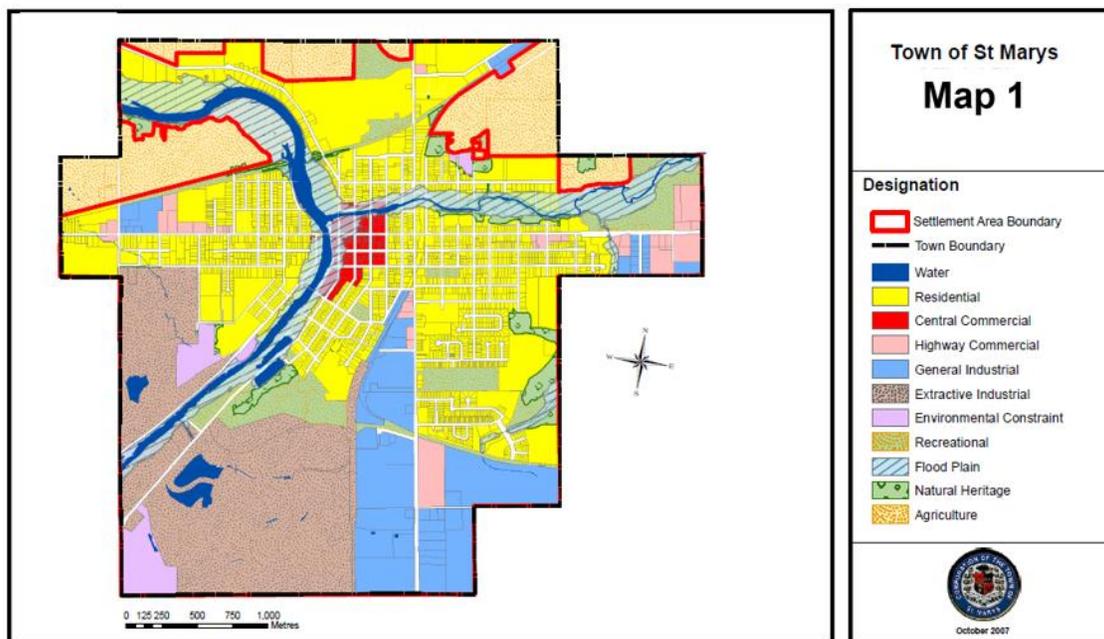
Strategic Priority	Initiatives (Short-term)	Initiatives (Mid-term)
<i>Outcome Statement</i>		
<p>Attainable & mixed-use housing</p> <p><i>In order to get the “right demographic mix” for St. Marys, it will be essential to ensure housing stock is flexible and attractive for youth, workers, immigrants and persons of all abilities.</i></p>	<ul style="list-style-type: none"> • Identify in the Official Plan development areas that would be key growth areas among targeted demographics. • Encourage businesses to convert second-storey spaces into rentals. • Investigate the prospect of medium density housing in the downtown and surrounding areas (infill and new development spaces: “building in and building up”). 	<ul style="list-style-type: none"> • Create direct municipal investments to assure that housing that is affordable is created in the community.
<p>Explore alternative forms of housing</p> <p><i>To ensure affordability, new forms of housing styles should be investigated; for example amongst millennials, smaller “tiny houses” are becoming a popular alternative.</i></p>	<ul style="list-style-type: none"> • Review municipal policies to allow for non-traditional and alternative housing models, including accessible homes. • Investigate environmentally sustainable housing types as a pilot. 	<ul style="list-style-type: none"> • Align land use policy to encourage new housing types and approaches.
<p>Seek public-private partnership models</p> <p><i>New approach to housing may require a different form of initial financial investment to get established.</i></p>	<ul style="list-style-type: none"> • Investigate and develop a range of possible approaches to launch a renewed housing strategy, designed to meet the current affordability and demographic challenges. 	<ul style="list-style-type: none"> • Establish policy and budget parameters to enable new approaches to meeting the housing affordability challenges based on research findings.

Strategic Priority	Initiatives (Short-term)	Initiatives (Mid-term)
<i>Outcome Statement</i>		
		<ul style="list-style-type: none"> Seek partnerships from other levels of government to realize this action.
<p>Prioritize Town-owned property assets</p> <p><i>Given the large number of Town-owned lands and properties, funding for many of the other initiatives in this revised Strategic Plan may require the sale or lease of these assets.</i></p>	<ul style="list-style-type: none"> Given the large number of Town-owned lands and properties, funding for many of the other initiatives in this revised Strategic Plan may require the sale or lease of these assets. 	<ul style="list-style-type: none"> Develop a short-list of essential versus non-essential Town-owned assets and make key decisions about their future. Explore options for those assets deemed non-essential (sale, lease, partnerships, etc.).

Strategic Pillar 3, Balanced Growth speaks to youth and newcomers as two demographic groups that will further the vibrancy and culture of the Town. Short term initiatives to achieve balanced growth includes identifying infrastructure needs (e.g. affordable housing) required to attract/retain these groups.

Current Official Plan and Official Plan Review

The Residential designation in the Official Plan applies to large areas of land located throughout the Town. It is the designation which consumes the greatest amount of land in Town as approximately 400 hectares or 33 per cent of the Town's land base is designated Residential. The locations of these lands are shown in yellow on Map 1 below.



The Residential designation permits a range of dwelling types from single detached dwellings to walk-up type apartments, parks and open spaces, and institutional uses subject to the policies of the Plan. The objectives of the Residential designation support many of the strategic priorities of the Town's Strategic Plan, and Provincial policy, including:

- encouraging the provision of an adequate supply and choice of housing for residents in terms of quality, type, location and cost (3.1.1.1)

- maintaining and improving the existing housing stock and character of residential areas (3.1.1.3)
- promoting housing for senior citizens, the handicapped and low income families (3.1.1.6)
- encouraging and promoting additional housing through intensification and redevelopment (3.1.1.7)
- encouraging a diversification and inter mixing of different housing types and forms (3.1.1.8)

The Official Plan permits residential infilling throughout the Residential designation provided such development “is in keeping with the attributes of the neighbourhood” (Section 3.1.2.3). Section 3.1.2.14 of the Official Plan states that “Council will encourage the development of affordable housing with 30% of the new housing units created being considered by Council as affordable to households with incomes in the lowest 60 per cent of income distribution for Perth County households”. Section 3.1.2.1 of the Official Plan states that Council:

- shall designate sufficient land within the Residential designation to meet the housing needs of the community for up to 20 years; and,
- encourage residential development and redevelopment by designating sufficient land to provide the marketplace with sufficient alternatives to accommodate growth for a minimum of 10 years and Council will make available sufficient servicing to provide at least a 3 year supply of residential units.

RESIDENTIAL LAND SUPPLY, AFFORDABLE HOUSING AND HOUSING FOR SENIORS

Residential Land Supply

According to draft Residential Official Plan Review Discussion Paper #4 (dated March 19, 2018), there would appear to be a 21.4 year supply of residential units in St. Marys today and therefore, the amount of land within the Residential designation is sufficient to meet the Town's needs over the 20 year planning horizon. It is noted that the Residential Paper and others are draft documents and will subject to further review and possible revisions as the Official Plan Review project continues.

Affordable Housing

Draft Discussion Paper #4 also includes a detailed examination of affordability in St. Marys for both the ownership and rental markets. As previously stated, the PPS requires the Town to establish and implement minimum targets for the provision of housing which is affordable to low and moderate income households. Again, the PPS defines ‘low and moderate income households as:

- a) In the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area; or
- b) In the case of rental housing, households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.

For the purposes of St. Marys, the regional market area is Perth County and the 60th household income percentile is \$84,200 from the latest Census data. Therefore, 60 percent of all household’s pre-tax income in the regional market area are at or below this value.

In the PPS, affordable is measured 4 ways, 2 scenarios for home ownership and 2 scenarios for rental housing as described below:

Home ownership – the least expensive of housing for which the purchase price:

- a) results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households; or,
- b) is at least 10 percent below the average purchase price of a resale unit in the regional market area.

Rental housing – the least expensive of a unit for which the rent:

- a) does not exceed 30 percent of gross annual household income for low and moderate income households; or,
- b) is at or below the average market rent of a unit in the regional market area.

The analysis in Draft Discussion Paper #4 concluded that affordable home ownership equates to approximately \$265,650 and rental housing equates to approximately \$850 per month.

Other data from draft Discussion Paper #4 (based on 2016 Census) respecting housing affordability in St. Marys includes:

- Approximately 19 percent of owner occupied households in St. Marys spend 30 percent or more of household income on shelter costs, and this more than doubles to 41 percent for renters in St. Marys. These affordability indicators for St. Marys compares to 20 and 36 percent, respectively, in all of Perth County.
- 79 percent of housing units in St. Marys are owner occupied with 59 percent carrying mortgages. The rate of home ownership in St. Marys is higher when compared to the rest of Perth County (72 percent owner occupied).

A sufficient supply of rental housing is important since such housing is affordable compared to home ownership and it provides housing options for those seeking lower maintenance requirements, in particular for seniors. There are affordability issues for renters in particular, as demonstrated by the Census data indicating that over 40 percent of renters in St. Marys are spending more than 30 percent of household income on shelter costs.

Housing for Seniors

There is the need to ensure our communities can respond to the needs of seniors, and provide quality of life and options for seniors to remain in their neighbourhood and community throughout their lifetimes. To fulfil these objectives, it is important to provide a variety of housing options that are affordable, comfortable and accessible.

According to findings in Official Plan Review Draft Discussion Paper #1 (Population) and Paper #4 (Residential):

- The number of seniors in Ontario aged 65 and over is projected to more than double from 1.8 million (or 13.7% of population) in 2009 to 4.2 million (or 23.4%) by 2036 - nearly one quarter of Ontario's population.
- According to Census data, 23.1 percent of the population of St. Marys in 2016 was aged 65 years and over. This compares to 18.6 percent for Perth County in 2016.
- Of St. Marys residents aged 65 years and over in private occupied dwellings, 78.8 percent reside in single detached or semi-detached dwellings, 17.1 percent in apartment buildings and 4.1 percent in townhouse or duplex dwellings. Based on the age of the primary household maintainer, 84 percent of residents 65 years of age and older in St. Marys own their homes versus 16 percent who rent.
- According to the CMHC 2017 Seniors' Housing Report, the vacancy rate for all seniors' housing in Ontario has declined to 10.3% (lowest rate since 2001) since demand has outpaced supply. Perth County is cited as one of several markets where there is pent-up demand and very low or even no new supply in the pipeline.
- Vacancy rates for standard spaces in Perth County decreased from 11.3 percent in 2016 to 8.5 percent in 2017. According to the CMHC, standard spaces are spaces where the resident does not receive high-level care (that is, the resident receives less than 1.5 hours of care per day) or is not required to pay an extra amount to receive high-level care.
- Vacancy rates for heavy care spaces in southwest Ontario decreased from 12.3 percent in 2016 to 5.8 percent in 2017. Heavy care spaces are spaces where the resident is paying an extra amount to receive high-level care (1.5 hours or more of care per day). Examples

of conditions that could require high-level care include Alzheimer's, dementia and reduced mobility.

- According to the South West Local Health Integration Network (SWLHIN), there are 28 long-term care homes with 2,100 spaces in Perth, Huron and Oxford Counties (as of January 2018). In St. Marys, the Wildwood Care Centre provides 60 long-term care beds, 24 retirement home beds and 2 short stay care beds. There are 33 people on the Wildwood's waiting list with approximately 2 beds becoming available each month. The Kingsway Lodge has 63 long-term care beds and 36 people on the waiting list for these beds with approximately 1 bed becoming available each month.
- According to 2017 data, the SWLHIN is targeting a bed ratio of 80 to 110 beds per 1,000 people for people aged 75+ consistently throughout the LHIN. The SWLHIN indicates that there is an oversupply of long-term care beds when examining bed availability and population within 10, 15 and 25 kilometres of St. Marys.

ANALYSIS

Based on a review of Provincial policy and the Town's Strategic Plan and Official Plan, there is the need for the Town to consider options for the Town to:

- encourage and support the provision of an appropriate supply and range of residential housing forms in the Town, including affordable housing and housing for seniors
- promote more compact residential development to minimize land consumption and servicing costs, and minimize negative impacts to air quality and climate change
- prioritize Town-owned property assets

This section identifies options, tools and implementation measures in the following categories:

Municipal Policies and Regulations

- Secondary units
- Inclusionary zoning
- Pre-zoning
- Alternative development standards
- Height and density bonusing
- Housing in the downtown

Financial Incentives

- Development charges
- Fees and taxes
- Community Improvement Plans

Land Based Initiatives

- Demolition control
- Surplus land

Municipal Policies and Regulations

Secondary Units

Secondary units are private, self-contained units with kitchen and bathroom facilities within dwellings or accessory structures, and typically take the form of basement apartments or apartments above garages. The Planning Act requires municipal official plans to authorize, and zoning by-laws to implement, second units in detached, semi-detached and row houses if an ancillary building or structure

does not contain a second unit; and in a building or structure ancillary to these housing types provided that the primary dwelling does not contain a second unit.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides an additional housing option in the community • Assists the Town in meeting affordable housing and intensification requirements • Supports the creation of diverse neighbourhoods with a range of income levels, age groups, etc. • Provides opportunities for additional income for homeowners • Allows for more efficient use of existing infrastructure (e.g. roads, sewer systems, etc.) 	<ul style="list-style-type: none"> • Potential to create issues in neighbourhoods (e.g. on-street parking problems) • Concerns with respect to potential impacts on neighbourhood character

The Town’s current Official Plan contains policies regarding affordable housing and the Town has zoned a significant portion of the Town to permit residential conversions. The draft Residential Official Plan Review Discussion Paper #4 recommends the inclusion of policies to permit the establishment of secondary units in the Residential designation and on lands where a single-detached, semi-detached or rowhouse dwelling is specifically zoned as a permitted use, and:

- a) A secondary unit shall only be permitted within a single-detached, semi-detached or rowhouse dwelling if no building or structure ancillary to the single-detached, semi-detached or rowhouse dwelling contains a residential unit;
- b) A secondary unit shall only be permitted within a building or structure ancillary to a single-detached, semi-detached or rowhouse dwelling if the single-detached, semi-detached or rowhouse dwelling contains a single residential unit;
- c) A maximum of one secondary unit is permitted per primary dwelling unit. Where other supplementary housing (e.g. a garden suite, a mobile home etc.) exists that complements the primary dwelling, a secondary unit is not appropriate and shall not be permitted; A secondary unit shall only be created and used in accordance with the zoning provisions as set out in the Zoning By-law, as amended. Furthermore, it is the intent of Council and this Plan that any deviation from the zoning provisions regulating secondary units shall not be permitted;
- d) the Zoning By-law shall contain regulations to permit secondary units and shall govern matters such as dwelling unit size for both the primary dwelling and the secondary unit, license provisions, alterations to the exterior of the primary dwelling, and parking;
- e) A secondary unit shall be connected to municipal water and sanitary services. Such services shall be adequate in the immediate area of the secondary unit location to accommodate the secondary unit in terms of supply, pressure, and capacity;
- f) A secondary unit shall comply with all applicable health and safety standards, including but not necessarily limited to those set out in the Ontario Building Code and Ontario Fire Code;
- g) A secondary unit shall comply with Ontario Regulation under the Conservation Authority Act as they relate to development within lands affected by flooding; and,
- h) A secondary unit cannot be the host of a home occupation.

The Town’s Zoning By-law must be updated to implement the Official Plan and establish appropriate regulations related to setbacks, parking, etc. It is recommended that the Town initiate an amendment to the Zoning By-law to permit secondary units in single detached, semi-detached and townhouse dwellings subject to specific provisions to regulate potential issues such as parking.

Concurrent with the implementation of secondary suite policies and regulations, it is also recommended that the Town consider providing educational information regarding the benefits of and rules related to secondary suites, and also to address common concerns related to this type of housing.

Inclusionary Zoning

Inclusionary zoning is a new land-use planning tool that allows municipalities to require the inclusion of affordable housing units as part of residential developments of 10 units or more. On April 12, 2018, changes to the Planning Act, and associated regulations, came into effect. To implement inclusionary zoning, a municipality must:

- Prepare an assessment report that would outline requirements for inclusionary zoning in Official Plan policies. The assessment report is prepared to understand local demographics and incomes, housing supply and demand (including types and sizes), average housing market prices and rents, and potential impacts of implementing inclusionary zoning locally.
- Have Official Plan policies authorizing inclusionary zoning must set out the minimum size of development where inclusionary zoning applies, permitted locations (site specific or area wide), housing types and sizes, how incentives and affordable prices and rents would be determined, etc.
- Update the Zoning By-law to implement Official Plan policies through regulations such as the number of units to be set aside for affordable housing units, the length of time in which affordable housing units are to be kept as affordable, and requirements and standards relating to the affordable housing units (for example, external design standards, number of bedrooms).
- Require land owners to enter into an agreement with the Town that could be registered against the land and enforced against subsequent owners, to ensure that the units remain affordable over time.
- Establish procedures for monitoring to ensure affordable housing units are maintained during the affordability period.
- Meet reporting requirements every two years and these reports must be made publicly available.

Inclusionary zoning official plan policies or zoning bylaws cannot be appealed to the Local Planning Appeal Tribunal, except by the Minister.

According to the Province, “housing generated through this tool usually falls within the ‘market rental and home ownership’ category of Ontario’s range of housing choices that include temporary housing (emergency housing and transitional housing) and permanent housing (supportive housing, social/affordable rental housing, market rental and home ownership housing)”.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides an additional housing option in the community • Assists the Town in meeting affordable housing requirements • Potential to provide housing for households that don't earn enough to afford market housing but earn too much to receive social assistance 	<ul style="list-style-type: none"> • Development industry may cite concerns with mandatory requirement to provide affordable housing

The Province also notes that inclusionary zoning “tends to work best in locations experiencing rapid population growth and high demand for housing, accompanied by strong economies and housing markets. It is a tool that can be adapted to a wide range of local circumstances, but it may not be suitable for all communities. Municipal councils should carefully assess whether IZ is the best tool to meet local affordable housing needs”.

It is recommended that Council direct staff to engage in discussions with the development industry to discuss opportunities and potential issues of inclusionary zoning in St. Marys.

Pre-zoning

The Town can consider pre-zoning lands that may be appropriate for affordable housing. Pre-zoning involves the municipally-led rezoning of a property or properties in advance of a proposed development initiated by a land owner. The intent behind pre-zoning is to facilitate the development of desired uses and/or built form. Often areas are pre-zoned to support redevelopment, revitalization, or economic development initiatives in communities, including downtown or industrial areas in a manner that conforms to applicable Official Plan designations and policies.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Eliminates significant risk and reduces time and costs for developers • Development activity is encouraged by providing some certainty to property owners or developers • Reduces the potential for appeals to the LPAT 	<ul style="list-style-type: none"> • Rezoning not subject to the usual public process where Council and the community can review and provide input on site-specific applications • Issues that may be identified through the site-specific process may be missed through the more general pre-zoning approach

It is appropriate for the Town to consider options for pre-zoning certain lands in the Town to encourage more affordable housing. Such a review will be based, to a great extent, on the land use designations and policies of the Official Plan. Therefore, it is recommended that the Town undertake this review following completion of the ongoing Official Plan review.

Alternative Development Standards

The Town can consider implementing reduced lot and frontage requirements, right-of-way width and parking requirements to reduce land costs per unit. This can be facilitated through Official Plan policies that encourage innovative and flexible design standards through the Town’s Zoning By-law to permit more efficient development of affordable housing. The Town can also consider reduced Zoning By-law parking requirements in recognition of lower car ownership rates and/or lower car ownership usage in downtown or more walkable areas.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Reduces overall land and servicing costs which can translate into more affordable housing costs and municipal services • More efficient use of land reduces impacts on environment 	

Similar to the recommendation regarding pre-zoning, it is recommended that the Town undertake such a review based on the policies of the updated Official Plan.

Height and Density Bonusing

Affordable housing as an eligible community benefit in exchange for increased heights and densities than what is permitted in the Zoning By-law (Section 37 of the Planning Act). Consideration may be given to density bonuses where affordable housing units or special care housing units are provided. The use of Section 37 provisions is much more common in high growth centres.

Advantages	Disadvantages
<ul style="list-style-type: none"> • Track record of providing affordable housing successfully in many municipalities 	<ul style="list-style-type: none"> • Can involve challenging negotiations • Important to ensure that approved bonus densities still represent good planning

The Town’s Official Plan provides policy direction with respect to bonusing as follows:

7.23 BONUS BY-LAWS

Prior to Council passing a Bonus Zone By-law they should consider if the bonus will achieve the following objectives:

- a) affordable housing;
- b) esthetically attractive development in keeping with architectural heritage of the area using similar building materials and colours. The development be enhanced with landscaped features;
- c) provision of open space in addition to the parkland dedication requirements;
- d) daycare facilities;
- e) preservation of structures or districts identified as architecturally, culturally, or historically significant; or
- f) environmental sensitive development that protects natural features, promotes energy conservation, encourages construction techniques that minimize waste and promote water conservation.

The Zoning By-law may contain bonus zoning for all types of development. Where bonus provisions are provided, the provisions will describe the facilities, services or matters that qualify. It will also include the height and density increases that would be acceptable. The developer must enter into an agreement prior to the passing of the Bonus By-law.

Housing in the Downtown

The Central Commercial designation in the Official Plan applies to St. Mary's downtown area. The Central Commercial area is the "primary area of culture, trade and commerce within the Town" (Section 2.1) and is viewed as an integral component of the community's well-being. To support this function, a wide range of uses are permitted including retail and personal service commercial facilities, professional administration and business offices, hotels, restaurants, places of entertainment, and residential uses if located above the first floor of buildings.

In draft Commercial and Highway Commercial Official Plan Review Discussion Paper #10 (dated January 8, 2018), it is recommended that the Town maintain policies prohibiting residential uses on the first floor of buildings in order to continue to support the commercial and service function and vitality of the downtown. However, the Town's Strategic Plan promotes the consideration of medium density housing in the downtown and surrounding areas. It is also recognized that a residential population in and around the downtown can help support businesses and contribute to its vitality. Because of this, it is recommended in Paper #10 that the Town consider options to permit standalone residential uses (e.g. low-rise apartment buildings) in the periphery parts of the Central Commercial area, provided such uses do not impact the primary commercial, service and tourism function of the downtown.

Financial Incentives

Incentives to encourage the development of affordable housing can take the form of adjustments to development charges, reductions to Planning Act fees, the collection of funds through linkage fees and property tax rate reductions. It is recognized that, as a smaller municipality, the Town is more limited in terms of resources for incentives.

Development Charges

The Town's current development charges (DC) are shown below:

Schedule of Development Charges - January 1, 2018

Service	Residential: Single and Semi-Detached Dwelling	Residential: Apartments 2 Bedrooms+	Residential: Apartments Bachelor & 1 Bedroom	Residential: Multiple Dwellings	Non-Residential (per ft2 of Gross Floor Area)
Services Related to a Highway	1,425	848	587	974	-
Fire Protection Services	381	227	157	260	-
Police Services	79	47	33	54	-
Library Services	999	594	411	683	-
Administration	203	120	83	139	-
Child Care	83	49	34	57	-
Waste Diversion	7	4	3	5	-
Wastewater Services	4,220	2,511	1,738	2,883	
Water Services	1,063	632	438	726	
Total	8,460	5,032	3,484	5,781	-

To reduce the costs of developing new housing, an option available to the Town is to consider full or partial exemptions to development charges based on unit sizes (since development charges are typically applied based on type of dwelling vs. size of dwelling).

In the Town's former Development Charges By-law, semi-detached dwellings were identified as a separate category with a DC rate of approximately 85% of a single dwelling. In reviewing the history of this discount, the concept of affordability was the rationale for the DC discount for semis as a policy approach for Council to encourage more affordable housing to be built in St. Marys.

During the review of the updated Development Charges By-law Council reconsidered providing this discount. This reconsideration was due to the following observations:

- Council's policy to provide a discount on semi-detached construction resulted in an uptake in the construction of semis, but
- Many semis that are constructed in St. Marys are priced for sale well in excess of \$300,000.
- There is no means to measure whether the discount is in fact passed onto the initial buyer and, if so, once it is resold the benefit ends.

Upon review, Council questioned if the discount strategy was achieving Council's goal of having more housing on the market that is attainably priced. Council also found that the program was not necessarily targeted to those in need nor was there a target price point for these homes set by Council.

Ultimately Council decided to eliminate the discount for semi-detached dwellings in the new Development Charge By-law. Council also asked for this staff report to be presented with options to consider.

An option Council could consider is to establish a policy to provide a development charges discount for a multi-residential construction only for those units that are sold within what would be considered an "attainable" price range. As noted above, the Official Plan review has determined that affordable home ownership in St. Marys equates to approximately \$265,650 and rental housing equates to approximately \$850 per month.

Fees and Taxes

Another option is to waive or reduce levies, application fees and charges. These may include Planning Act application fees, building permit fees, engineering review fees, and water/sewer connection fees.

- Linkage fees are funds generated for affordable housing through levies on particular types of development (e.g. commercial development). Such levies can be paid into a housing trust fund which can be used in combination with grants received from upper levels of government.
- Property tax reductions encourage rental apartment development by establishing new tax classes for multi-residential (generally includes rental apartments with 7 or more units) which is generally higher than the tax rate for the residential class which includes condominiums and single detached dwellings. In St. Marys, multi-residential units are taxed at 1.1 times the rate of lower density residential units. Other communities (City of Stratford and the County of Perth) have amended their tax ratios so that new multi-residential constructions are taxed at the 1.0 ratio of single-detached dwellings.
- A municipality may allocate funds for affordable housing through a reserve fund for affordable housing lending for example. Reserve funds can also be used to lend to non-profit providers of affordable housing to assist in the maintenance of existing housing. It is important for the municipality to clearly set out how the reserve fund is funded and allocated. In addition, if the Town were to grant full or partial exemptions from development charges, there is the need that the funding of growth related infrastructure can still be achieved, without increasing development charges on other types of development to cover the shortfall.

When considering reductions or exemptions from fees and charges, it is important to also consider the legality of such measures and potential impacts on the finances of the Town.

Case Study – City of Ottawa

Ottawa provides an exemption from development charges for not-for-profit housing providers or charitable developers who are building new affordable rental housing. The city requires these developers to provide proof of their non-profit or charitable status in order to receive this development charge exemption. The city's development charges by-law provides for the exemption as follows:

"The following lands are exempt from development charges:

- (ix) A residential use building erected and owned by non-profit housing, provided that satisfactory evidence is provided to the Treasurer that the residential use building is intended for persons of low or modest incomes and that the dwelling units are being made available at values that are initially and will continue to be below current market levels in the city "

Developers of affordable housing in Ottawa who qualify for the development charges exemption are still required to pay the transit component of the city's development charges.

Source: Municipal Guide for Facilitating Affordable Housing

Advantages	Disadvantages
<ul style="list-style-type: none"> • Provides incentives to developers of affordable housing by reducing costs • Tax reductions reduce costs for rental housing • Fees geared to unit sizes may provide incentive for development of smaller sized units 	<ul style="list-style-type: none"> • Need to consider legislative restrictions on reducing or exempting development charges on a selective basis • Reduced fees and taxes may have impacts on municipal revenues

Community Improvement Plans

Under the Planning Act, a Community Improvement Plan (CIP) allows municipalities to offer incentives to support rehabilitation and investment in defined areas. In most cases community improvement project areas are identified for specific areas in a municipality (e.g. downtowns). However, a municipality also has the option to designate the entire municipality as a community improvement project area. Community improvement project areas are designated by by-law and a CIP can be used to allow municipalities to provide grants and loans for affordable housing. These funds can be used to support the creation of new housing stock or improvements to existing stock.

The Town will be required to consider policies in the Official Plan to ensure there is the basis for CIPs for affordable housing. The Town would also need to consider which incentives should be provided.

Advantages	Disadvantages
<ul style="list-style-type: none"> Provides opportunity for Town to offer loans and grants to encourage investment in affordable housing May encourage re-investment in existing housing stock 	<ul style="list-style-type: none"> Requires municipal investment to provide loans and grants

Case Study – City of Peterborough

In 2011, the city created Ontario's first Affordable Housing Community Improvement Plan (CIP) to stimulate the development of affordable housing, including housing for seniors. The plan encourages the creation of affordable units by offering financial incentives to residential builders. Affordable housing can be created through new development, redevelopment, or conversion from a non-residential use. Affordable housing projects must be located within a defined CIP Project Area, which covers the majority of the city.

There are a number of financial incentive programs that are part of the city's affordable housing CIP, including:

- the Municipal Incentive Program: The City of Peterborough provides relief from planning application fees
- the Affordable Housing Tax Increment Based Program: The city reimburses a portion of the municipal property tax increase resulting from higher assessment to owners of redeveloped properties. For the first five years, the grant is generally equivalent to 100 % +of the municipal tax increase with the owner gradually paying an increasing amount for the next five years

Source: Municipal Guide for Facilitating Affordable Housing

Land Based Initiatives

Demolition Control

The Town can consider the enactment of a by-law to prohibit or regulate the demolition or conversion of residential properties (under Section 99.1 of the Municipal Act and Section 33 of the Planning Act). This can be an effective tool to preserve existing housing stock however, a municipality must also consider instances where demolition of existing housing may be beneficial due to health and safety issues of an existing development. The by-law can discourage or prevent the conversion to non-rental housing.

Advantages	Disadvantages
<ul style="list-style-type: none"> Preserves existing affordable housing Preservation of existing housing stock is generally less expensive than providing through new development 	<ul style="list-style-type: none"> Preventing demolition may not be in the best interests of the community if there are significant health and safety issues with an existing housing development

Surplus Land

The Town should continue to provide land for affordable housing through the sale or leasing of surplus or underutilized municipally owned land. The Town's sale of 121 Ontario Street South is expected to provide additional supply of rental housing consisting of one, two and three-bedroom units. The owner of the property estimates that the proposed units will be rented in the range of \$700 - \$900 per month which will help to fill the current gap in the local market.

The Town can also maintain data to assist potential developers and tenants of affordable housing.

Advantages	Disadvantages
<ul style="list-style-type: none"> Provides land to affordable housing sector at a reduced cost 	<ul style="list-style-type: none"> Eliminates opportunity to generate municipal revenues through sale of property at market rates

SUMMARY

In support of the Town's objectives with respect to providing affordable housing, it is recommended that the Strategic Priorities Committee recommend to Council that the Town:

- a) Initiate a Town-wide amendment to the Zoning By-law to permit secondary units in single detached, semi-detached and townhouse dwellings subject to specific provisions to regulate potential issues such as parking;
- b) Engage in discussions with the development industry with respect to opportunities and potential issues related to implementing inclusionary zoning in St. Marys;
- c) Explore opportunities for pre-zoning certain lands for affordable housing following completion of the Official Plan review;
- d) Consider alternative development standards, following completion of the Official Plan review, through an update to the Town's Zoning By-law;
- e) Support the recommendations of the Official Plan review to consider options to permit standalone residential uses (e.g. low-rise apartment buildings) in the periphery parts of the Central Commercial area, provided such uses do not impact the primary commercial, service and tourism function of the downtown;
- f) Staff report back on the Financial implications of:
 - i. Proposed development charges discounts for new multi residential units constructed for a sale price of \$265,650 or rentals of approximately \$850 per month.
 - ii. Amending the multi-residential tax ratio from 1.1 to 1.0 for newly constructed rental apartments of 7 or more units
- g) Continue to provide land for affordable housing through the sale or leasing of surplus or underutilized municipally owned land, and consider maintaining a publicly accessible database to assist potential developers seeking to construct affordable housing and tenants seeking affordable housing vacancies.

FINANCIAL IMPLICATIONS

Not known at this time.

STRATEGIC PLAN

- This initiative is supported by the priorities, outcomes, and tactics in the Plan, as summarized in Table 1 of this report.

OTHERS CONSULTED

Susan Luckhardt, Planning Coordinator

ATTACHMENTS

- 1) Provincial Policy Statement excerpts

REVIEWED BY

Recommended by the Department

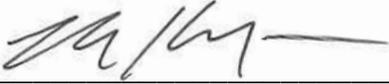


Mark Stone
Planner



Grant Brouwer
Director Building and Planning

Recommended by the CAO



Brent Kittmer, CAO / Clerk