



Potential Solutions Review and Case Studies
Housing Attainable Supply Action Plan
County of Simcoe & City of Orillia



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Simcoe County & City of Orillia

Potential Solutions Review and Case Studies: Housing Attainable Supply Action Plan

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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 the prior written authorization from N. Barry Lyon Consultants Limited.

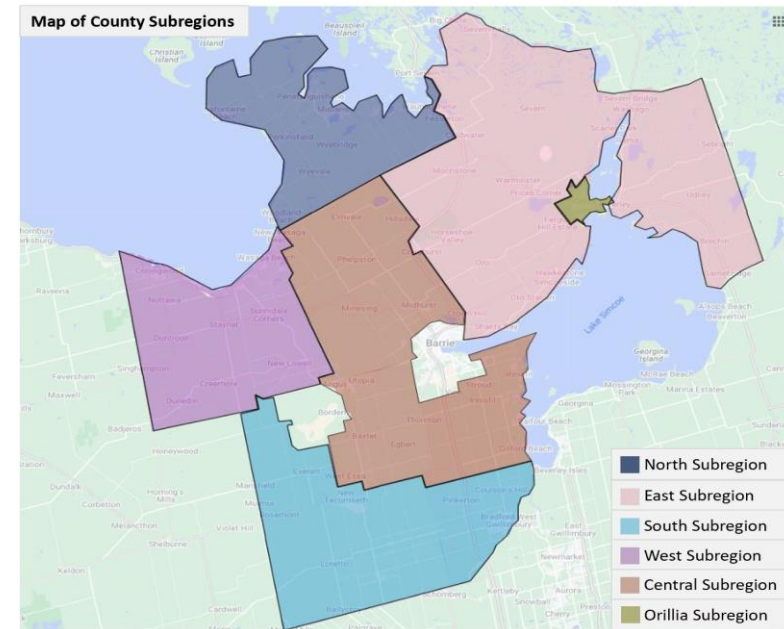
1.0 Introduction

The County of Simcoe and the City of Orillia (combined referred to as the ‘County/City’ throughout this report) have retained N. Barry Lyon Consultants Limited (‘NBLC’) to prepare a Housing Attainable Supply Action Plan (‘ASAP’) to identify best practices and recommended actions, advocacy, and partnership approaches that the County can take to increase the supply of attainable housing provided by the private market within the next 5 years.

Phase 1 of this project was a foundational Housing Needs Analysis (‘HNA’), which was completed by NBLC in August 2023. The HNA identified the housing options available in the County, the gaps in the market for low- and moderate-income households, the price points that are affordable to these households based on their income, the characteristics of households in need of affordable or attainable housing, and the market characteristics that are leading to these outcomes.

This Potential Solutions Review and Case Studies report represents Phase 3 of the Housing ASAP work, following the HNA and consultation efforts in Phase 1 and 2. This report maps out a list of potential options for the County to consider as they look to address growing attainable housing issues. In the appendix, we have included commentary on why housing gaps are being observed in the market today, as well as case studies that explore what other municipalities have done to address similar housing issues have also been provided in the appendix, with some also highlighted throughout the body of this report.

We expect that the initial list of options in this report will evolve further as we receive feedback from staff, Council, the public, and other stakeholders.



County Subregions					
North	East	South	West	Central	Orillia
Midland	Oro-Medonte	Bradford West Gwillimbury	Collingwood	Innisfil	Orillia
Penetanguishene	Severn	New Tecumseth	Wasaga Beach	Springwater	
Tay	Ramara	Adjala-Tosorontio	Clearview	Essa	
Tiny					

As per the County’s direction, this report and the eventual Housing ASAP report focus on **attainable housing** – defined as market-provided housing that is affordable for households with incomes between 80% - 120% of the median household income.

Table 1 summarizes household incomes in Simcoe County, including the City of Orillia, by decile group and household tenure in 2022. Using these incomes, the affordable purchase price and rental rate for each decile group is estimated.

The County’s definition of attainable housing generally aligns with the 4th to 6th income deciles – denoted by the red box in Table 1. These households can afford to purchase a home in the range of \$330,000 to \$450,000 or to rent a home that is between \$1,350 and \$1,950 per month. It is the creation and maintenance of housing at these price points that the Housing ASAP will strive to achieve. A 10-year Affordable Housing and Homelessness Strategy is being prepared concurrently by the County of Simcoe and addresses deeper levels of affordability for lower income households.

Table 1

Household Income by Decile 2022, Simcoe County (Including Orillia)					
Income Group	Income Decile	All Households Income*	Affordable Purchase Price^	Renter Household Income*	Affordable Monthly Rent^
Low Income	1st	\$43,736	\$146,230	\$24,961	\$624
	2nd	\$62,733	\$209,744	\$32,692	\$817
	3rd	\$80,625	\$269,566	\$43,736	\$1,093
Moderate Income	4th	\$98,297	\$328,649	\$53,897	\$1,347
	5th	\$115,968	\$387,731	\$65,826	\$1,646
	6th	\$134,744	\$450,507	\$78,416	\$1,960
High Income	7th	\$157,937	\$529,394	\$93,879	\$2,347
	8th	\$185,549	\$626,122	\$113,759	\$2,844
	9th	\$236,354	\$804,102	\$146,893	\$3,672

Note: Income deciles divide the population into 10 equal-sized groups according to total income. Those in the bottom decile group are the ones who fall in the lowest 10% of the total income distribution. Those in the top decile group are the ones who fall in the highest 10% of the total income distribution.

**Incomes from 2021 Census of Canada Custom Tabulation, inflated to 2022 using CPI (Canada)*

^Affordability thresholds assume shelter costs do not exceed 30% of gross household income. Affordable ownership thresholds include mortgage (25 years, minimum 5% downpayment, 1.16% property tax, 4% of loan amount for CMHC mortgage insurance, 5-year fixed mortgage rate of 6.5%). Affordable rental thresholds based on 30% of gross household income.

Source: Statistics Canada, N. Barry Lyon Consultants Ltd.

2.0 Housing Needs Analysis Summary

A Housing Needs Analysis ('HNA') was completed in August 2023 with the intention of providing a foundational assessment of housing needs and affordability challenges in the County/City to guide the Housing Attainable Supply Action Plan. Overall, there are few attainable housing options in the market in both ownership and rental tenures. The following are some of the key takeaways from the HNA:

Ownership Market:

- **The supply of ownership housing is not meeting demand**, particularly from low and moderate-income households – just 3% of recent resales collected by NBLC were sold under \$400,000, while half were above \$800,000. New homes are even more expensive.
- The County/City's ownership housing stock has **experienced significant price growth over the last decade (170%+ for resales) that far outpaces income growth (+37%)**. Prices decreased in the last year, but increased borrowing costs have led to little to no affordability relief.
- Many households, particularly first-time home buyers, would be challenged to buy a new or resale home in the County/City without downpayment assistance.
- **Lack of affordability in the ownership market is driving some 'would-be' purchasers to the rental market**, increasing demand within an already constrained market. Options that might have been available to moderate-income renters historically are no longer available in many places.

Rental Market:

- New purpose-built rental housing development has been stagnant in the last decade, adding less than 100 net new units since 2007 in the County/City.
- Limited new supply and rising demand means that **vacancy rates have been trending downward**, below 1.5% in three of the past six years.
- Limited availability has created an environment where **rental rates have been rising rapidly**, with most apartment options now above \$1,800 per month and most low-rise rentals exceeding \$2,000 per month. There are very few options for low and moderate-income renter households and what is affordable is limited to more compact housing types.
- Renter households are far more likely than owners to be in Core Housing Need (i.e., living in unaffordable, unsuitable, and/or inadequate housing) and also earn about half the annual salary as owner households, on average. There is clearly a **pressing need to address the needs of renter households** across a variety of incomes and characteristics.

Table 2 on the following page synthesizes the market information collected by NBLC as part of the HNA with the income decile data from Statistics Canada to understand the market and non-market housing that is affordable to households in the County/City based on average prices. This helps to visualize what is or is not affordable to different income groups in the County/City's housing market today.

Table 2

	Unaffordable
	Affordable

Ownership Housing Affordability Gap Analysis, Simcoe County & City of Orillia										
Income Decile		1	2	3	4	5	6	7	8	9
Affordability Threshold		\$146,230	\$209,744	\$269,566	\$328,649	\$387,731	\$450,507	\$528,053	\$620,370	\$790,234
Housing Type	Avg. Purchase Price									
New Ownership Housing										
Single-Detached	\$1,640,000									
Semi-Detached	\$1,170,000									
Townhouse	\$1,210,000									
Stacked Townhouse	\$625,000									
Condominium Apartment	\$725,000									
Resale Ownership Housing										
Single-Detached	\$935,000									
Semi-Detached	\$715,000									
Townhouse	\$700,000									
Condominium Apartment	\$620,000									
Rental Housing Affordability Gap Analysis, Simcoe County & City of Orillia										
Income Decile		1	2	3	4	5	6	7	8	9
Affordability Threshold		\$624	\$817	\$1,093	\$1,347	\$1,646	\$1,960	\$2,347	\$2,844	\$3,672
Housing Type	Average Rental Rate									
Purpose-Built Rental Market										
New Purpose-Built Rental Apartment	\$2,250									
Old Purpose-Built Rental Apartment	\$1,875									
Secondary Rental Market										
Privately Leased Single-Detached	\$2,735									
Privately Leased Semi-Detached	\$2,125									
Privately Leased Townhouse	\$2,500									
Privately Leased Condominium Apartment	\$2,020									
Privately Leased Multiplex	\$2,045									
Privately Leased Basement Apartment	\$1,775									
Community Housing Affordability Gap Analysis, Simcoe County & City of Orillia										
Income Decile		1	2	3	4	5	6	7	8	9
Affordability Threshold		\$624	\$817	\$1,093	\$1,347	\$1,646	\$1,960	\$2,347	\$2,844	\$3,672
% CMHC Average Market Rent	Average Rental Rate									
100% AMR	\$1,204									
80% AMR	\$963									
60% AMR (Low-End of Market)	\$722									

Note: Affordability threshold is determined based on 30% of gross household income going towards housing costs. Average prices are based on a survey of available units or recent transactions. These prices are point in time and can change based on a variety of economic and market factors.

The 5th to 7th income deciles have been highlighted in this table. They generally line up with the County's definition of attainable housing (e.g. affordable for households between 80% and 120% of household median income).

Source: N. Barry Lyon Consultants Limited, Altus Data Studio, Canada Mortgage and Housing Corporation, Simcoe County Realtor

3.0 Strategic Direction Options

The analysis underpinning this report indicates that the affordable housing crisis will not be resolved without significant action from all levels of government, including Simcoe County and its local municipalities, and the City of Orillia. While municipalities have many levers available that can meaningfully impact housing affordability, their revenue tools and overall capital budgeting is limited. Greater action and funding from senior levels of government are therefore also necessary to meaningfully address housing affordability challenges.

While terms such as ‘the financialization’ or ‘commodification’ of housing are frequently noted as causes of the housing crisis, these are merely symptoms of an undersupplied market. Where demand significantly exceeds supply, for both housing and developable land, prices will increase and actors (e.g., developers, investors, landowners, homeowners) will seek to capitalize on these market conditions. The County, along with most communities in Ontario and Canada broadly, require increased housing supply to restore affordability and reduce market speculation.

While increased supply can restore housing affordability over the longer term, a broader supply of housing is also needed, where more rental apartments, missing middle typologies, and affordable/attainable housing are also part of the solution. These solutions can provide more immediate affordability relief, but require more substantial policy and financial intervention from the public sector. Ultimately, the housing crisis is complex with a multitude of factors contributing to the crisis, as identified in Appendix A of this report.

Given the discussion in this report, we see four critical levers / implementation strategies that should underpin the County’s Attainable Housing Supply Action Plan. Each lever is summarized to follow, along with a more detailed discussion and evaluation of each. We believe these levers will allow the County, its local municipalities, and the City of Orillia to address growing affordability issues. They have been shaped by our research, stakeholder input, and NBLC’s own extensive experience in the housing industry:

- **Policy and Process Reform:** Given existing fiscal constraints, the most active role a municipality can have in delivering housing is through land use planning. Creating a more permissive policy environment and more efficient internal processes to ensure more housing (of all types and price points) is constructed will be critical moving forward to try to bring balance to the market.

Not only would a more permissive policy environment and streamlined approval process ensure that more housing will be built, but more efficient internal processes should also reduce delays, which has positive impacts on project costs and development feasibility. Lowering costs and increasing the supply of developable land creates more elasticity in pricing, allowing developers to compete at a wider range of prices while still achieving their required return. This also assists non-profits and affordable / attainable housing providers advance projects more quickly and with greater certainty.

While the County does not have the same planning role as lower-tier municipalities through items like zoning by-laws, the County can provide guidance, direction, and encouragement related to planning and process reforms that could be undertaken by each of the lower-tier municipalities to increase housing supply and streamline the development process. The City of Orillia on the other hand, does have more direct controls over these items as a single-tier municipality.

These types of initiatives were the most consistent feedback received through the stakeholder consultation process from developers and industry experts.

- **Take a Leadership / Coordinator Role:** In addition to continued investment in social housing, the County can take a leadership or coordination role in the delivery of new housing in other ways. This includes taking the initiative to declare new residential development a priority, educating residents on the benefits of new development, connecting interested parties to potential partners and funding programs, among other initiatives.
- **Advocate to Upper Levels of Government:** More active participation from the Provincial and Federal governments will be required to have a more significant and lasting impact on housing affordability, particularly when it comes to subsidizing new affordable or attainable housing development. As such, advocacy to upper levels of government for help in

solving housing affordability issues, ideally with targeted requests, will be a critical part of the go-forward strategy.

- **Financial Initiatives:** The County and the local municipalities can provide various incentives to reduce the cost of development for housing providers who are seeking to build the types of housing that are identified as a priority. Development incentives improve the feasibility of new housing that is not already being delivered naturally by the market.

There are a wide range of incentives that can be provided by the County/City and local municipalities, in addition to the use of publicly-owned land for new residential development. Senior levels of government must also play a role here.

Together, a combination of options related to these levers will create a strategy that couples market-oriented land use planning reforms with a proactive government role – including leveraging public land as well as direct investment – to increase the development of market-rate and attainable housing.

For each strategic option, we have provided a short explanation, in addition to high-level information on the impact, potential cost, and timeline to implementation.

We expect that this list of options will evolve and become more focused in the coming months as we continue with stakeholder consultation, and advance towards preparing the ASAP. Additional

work will also need to be completed as it relates to costing of these items, understanding available funding, and setting priorities related to groups served, housing tenures, and other key factors.

Notwithstanding this, based on our work to date and research on current market conditions, we generally believe that through the Housing ASAP, which focuses on attainable housing, the County should be prioritizing the following housing types, in this order, when making decisions related to incentivizing new residential development:

- Attainable rental housing for moderate-income households;
- Market-rate rental housing;
- Attainable ownership housing.

Flexibility in the use of incentives will also be key moving forward. Interest in any incentive program can vary from year-to-year, so flexibility in which incentives are available and to who will allow the County to be as impactful as possible. An adequate program budget will also be required to achieve the stated goals.

We also understand that many of the strategies identified may require stewardship from, or coordination with, local municipalities. Notwithstanding this, the County can play a leadership and/or advocacy role in the planning and implementation of these strategies.

Lastly, while the focus of the Housing ASAP work is ‘attainable housing’ as defined by Simcoe County (e.g. affordable for households with 80% to 120% of median income), many of these strategic options can be utilized for any depth of affordability. Balancing resources, budget, and housing needs with the ongoing Housing and Homelessness Plan Update will be necessary as these plans are formulated.

Methodology

The following explains the methodology utilized in the coming pages for all of the strategic options regarding potential impact of the option, potential cost of implementation, who is responsible, and estimated timeline for implementation. This is meant to provide additional high-level insight into each option. However, it is possible that in any option, the true impact/cost may be above or below what we have estimated.

Role (Lead and Implementation): Which level of government is responsible for leading the initiative and ultimately implementing it?

Lead: Which level of government will be responsible to leading the initiative in terms of analysis, background study, etc.

Implementation: Which level of government will ultimately be responsible for implementing the initiative. For example, the County may lead on best practice and analysis of zoning reform, which would be implemented by the local municipalities.

For advocacy, the lead/implementation references which level of government is to be advocated to.

Impact: How impactful will the option be in increasing housing options in the County, relative to other options?

The level of impact is estimated based on a number of factors such as how scalable the option is, how much new housing supply it is likely to create, how likely it is that the option will produce housing for moderate-income households, and how much control the municipality has over the that specific option, among others.

★ Minimal Impact (1) ★★ Low Impact (2) ★★★ Moderate Impact (3) ★★★★ High Impact (4) ★★★★★ Maximum Impact (5)

Cost: How much should the County/Local Municipality expect the implementation and/or ongoing administration of the strategic option to cost?

\$: Low-Cost (<\$100,000): This may represent no cost to, a small one-time cost, or the cost of one new staff member.

\$\$: Medium Cost (\$100,000 to <\$1,000,000): This option may require the hiring of consultants, several staff members, and/or ongoing costs.

\$\$\$: High-Cost (\$1,000,000+): Options in this category are likely to be most significant from a budget and investment perspective.

Timeline: How long might it take to implement this strategic option?

Immediate: These options can be implemented immediately after the ASAP is completed. Implementation could take less than a month.

Near-Term: These options can be implemented in less than one year.

Medium-Term: These options are likely to take between one and three years to implement.

Long-Term: These options are likely to take three or more years to implement.

Note: Timeline for advocacy initiatives refers to the likely timeline for other levels of government to implement the item being advocated for.

The table below provides a summary of the initial list of options, which we expect to be refined for the final Housing ASAP report.

Table 3


Preliminary Strategic Direction Options Housing Attainable Supply Action Plan 					
	Lead Role	Implementation Role	Impact (1 to 5)	Cost (\$ to \$\$\$)	Timeline (Immediate to Long-Term)
Simplifying and Streamlining Policy and Municipal Processes					
Update Planning Framework to Support Housing in Local Municipalities	County / Orillia / LM	Orillia / LM	5	\$\$	Medium
<i>Explore Increased Densities in Targeted Areas such as Strategic Growth Areas, Transit Nodes, Post-Secondary Institutions</i>	County / Orillia / LM	Orillia / LM	5	\$\$	Medium
<i>Allow More Density in Neighbourhoods</i>	County / Orillia / LM	Orillia / LM	5	\$\$	Medium
<i>Allow Residential Development to be Integrated into Designated Commercial Areas</i>	County / Orillia / LM	Orillia / LM	5	\$\$	Medium
<i>Reduce / Eliminate Minimum Parking Requirements</i>	County / Orillia / LM	Orillia / LM	3	\$	Medium
<i>County to Provide Support and Lead Best Practice Efforts to Simplify Zoning By-laws to Improve Clarity and Predictability</i>	County	County	4	\$\$	Medium
<i>Clarify Confirmed Boundaries of Constraint Areas in Official Plan and Zoning Area Maps to Extent Possible</i>	County	County	4	\$\$	Medium
Simplify the Development Process and Fast-Track Priority Projects					
<i>Streamline Approvals Process for Low-Risk/Uncomplicated Development Applications</i>	County / Orillia / LM	Orillia / LM	4	\$\$	Medium
<i>Streamline Building Permit Approvals, Pre-Application Meetings, and Other Processes</i>	County / Orillia / LM	Orillia / LM	4	\$\$	Medium
<i>Critically Review and Consider Reducing the Number of Required Studies</i>	County / Orillia / LM	Orillia / LM	4	\$\$	Medium
<i>Critically Review Peer Review Requirements</i>	County / Orillia / LM	Orillia / LM	4	\$\$	Medium
<i>Improve Communication and Decision-Making Between Departments</i>	County / Orillia / LM	Orillia / LM	4	\$\$	Medium
Leverage Technology to Improve the Approvals Process for all Local Municipalities	County	County	3	\$	Medium
Investigate the Potential for a Community Planning Permit System for the Creation of Attainable Housing	County	Orillia / LM	3	\$\$	Medium
Create Simple Pre-Approved 'Off-the-Shelf' Building Designs for Missing Middle Housing	County	County	3	\$\$	Near
Create a Standard Rental Replacement By-law That Can Be Easily Implemented by All Local Municipalities	County / Orillia / LM	Orillia / LM	3	\$	Near
Explore the Potential for Density Bonusing for Priority Projects	County / Orillia / LM	Orillia / LM	3	\$	Medium
<i>Role: which level of government should lead and ultimately implement the initiative. For advocacy initiatives, role indicates which level of government should be advocated to.</i> <i>Impact: Estimate of impact on delivering new attainable housing / new housing supply in general. 1 = Minimal impact, less likely to deliver significant supply, 5 = Maximum impact, can be scaled to deliver a lot</i> <i>Cost: \$ = Low cost (<\$100k), \$\$ = Medium cost (\$100k - <\$1M), \$\$\$ = High cost (\$Millions)</i> <i>Timeline: Indicates how long it may take to implement. Immediate = Within one month, Near = <1 year, Medium = 1-3 years, Long = 3+ years</i>					

Table 3 (continued)

Preliminary Strategic Direction Options Housing Attainable Supply Action Plan					
	Lead Role	Implementation Role	Impact (1 to 5)	Cost (\$ to \$\$\$)	Timeline (Immediate to Long-Term)
Coordination and Innovation Initiatives					
Create a Navigator Program to Facilitate Priority Housing	County	County	4	\$	Near
Be Encouraging of Non-Traditional Construction Techniques, Housing Tenures, and Funding Models	County / Orillia / LM	County / Orillia / LM	3	\$ / \$\$	Immediate
Explore Housing Above or in Conjunction with New Public / Community Facilities	County / Orillia / LM	County / Orillia / LM	3	\$\$ / \$\$\$	Long
Explore Having the County Lead the Implementation and Management of Inclusionary Zoning	County	Orillia / LM	3	\$\$ / \$\$\$	Medium
Partner with Post-Secondary Institutions and Local Industry to Drive Innovative Ways to Build More Housing Faster	County	County	2	\$	Medium
Explore the impact of Restricting or Increasing the Cost to Operate Short-Term Rentals	County	County	2	\$\$	Medium
Ensure the County Has Robust Data Collection to Support Good-Decision Making	County	County	3	\$	Near
Advocacy Initiatives					
Advocate for More Direct Funding for Attainable Housing from Upper Levels of Government	Federal / Provincial		5	\$	Medium / Long
Advocate to CMHC for More Streamlined Access to Funding and Financing Programs	Federal		4	\$	Long
Advocate to CMHC to Offer Lower Cost Financing for All New Rental Development	Federal		5	\$	Long
Advocate for More Revenue Tools to Reduce the Burden on the Tax Base	Provincial		5	\$	Medium / Long
Advocate for Increased Labour Supply for New Development	Federal / Provincial		4	\$	Long
Request Targeted Funding Where it is Not Currently Available	Federal / Provincial		3	\$	Medium / Long
Advocate for More Progressive Property Taxation Options	Provincial		2	\$\$	Long
Advocate for More Tenant and Landlord Protections	Provincial		2	\$	Medium
Advocate for Housing Funding/Investments to Align with Population (Including Student) Growth Targets	Federal / Provincial		5	\$	Medium / Long
Advocate for Streamlined and Predictable Approvals Processes from Other Levels of Government / Governmental Agencies	Federal / Provincial		4	\$	Near / Medium
Leverage the Collective Power of Municipalities in Advocacy	Municipal		3	\$	Long
Financial Initiatives					
Offer Development Incentives for Targeted Projects through a CIP or MCFB	County / Orillia / LM	County / Orillia / LM	5	\$\$\$	Medium
Prioritize Housing Outcomes on Public Land	County / Orillia / LM	County / Orillia / LM	5	\$	Medium
County to take the lead on creating a Candidate Sites Catalogue (mapbook) of municipally supported priority housing sites	County	County	5	\$\$	Immediate
Create an Enhanced and Predictable Funding Stream for Attainable Housing	County / Orillia / LM	County / Orillia / LM	4	\$\$\$	Near / Medium
Explore Alternative Revenue Tools to Reduce the Burden on the Property Tax Base	County	County			
Enhance the Existing Secondary Suite Program to Include Funding for Units that Have Attainable Prices	County	County	3	\$\$	Near
Invest Budget Surpluses Into Desired Housing Outcomes	County / Orillia / LM	County / Orillia / LM	4	\$\$ / \$\$\$	Near
<p><i>Role: which level of government should lead and ultimately implement the initiative. For advocacy initiatives, role indicates which level of government should be advocated to.</i></p> <p><i>Impact: Estimate of impact on delivering new attainable housing / new housing supply in general. 1 = Minimal impact, less likely to deliver significant supply, 5 = Maximum impact, can be scaled to deliver a lot</i></p> <p><i>Cost: \$ = Low cost (<\$100k), \$\$ = Medium cost (\$100k - <\$1M), \$\$\$ = High cost (\$Millions)</i></p> <p><i>Timeline: indicates how long it may take to implement. Immediate = Within one month, Near = <1 year, Medium = 1-3 years, Long = 3+ years</i></p>					

3.1 Simplifying and Streamlining Policy and Municipal Processes

Significant changes to planning policy and processes province-wide are needed to increase housing supply. At the municipal level, this generally means refinements to zoning and Official Plans, in addition to changes to internal processes to increase the efficiency of new housing delivery. Planning and process reform will be critical in the execution of the other options in this report.

While Simcoe County does not have the same planning role as local municipalities they can provide guidance, direction, and encouragement related to planning and process reforms that can be undertaken by local municipalities. There is an opportunity for the County to take a leadership role on these topics. The County could provide a framework on planning and process reform that could then be provided to and adapted by local municipalities to best suit their community. This would not only reduce some of the administration and cost burden associated with these changes for the local municipalities, but would also make it more predictable for housing providers across Simcoe County if there is a consistent approach from municipality to municipality.

As a single-tier municipality, the City of Orillia could undertake any of the options in this section on their own, or work with the County to offer similar processes and pursue planning policy changes.

The following are the strategic options listed in this section:

- Update Planning Framework to Support Housing in Local Municipalities;
- Simplify the Development Process and Fast-Track Priority Projects;
- Leverage Technology to Improve the Approvals Process for all Local Municipalities;
- Investigate the Potential for a Community Planning Permit System for the Creation of Attainable Housing;
- Create Simple Pre-Approved ‘Off-the-Shelf’ Building Designs for Missing Middle Housing;
- Create a Standard Rental Replacement By-law That Can Be Easily Used or Adapted by All Local Municipalities;
- Explore the Potential for Density Bonusing for Priority Projects

Update Planning Framework to Support Housing in Local Municipalities

Impact: ★★★★★ **Cost:** \$\$ **Timeline:** Medium-Term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** Orillia / Local Municipalities

The County could work with local municipalities to encourage and support planning policy and process efficiencies to create more housing supply. The County can ensure their implementation by:

- Providing further direction in the County’s Official Plan. This can include general policy direction, or a more targeted approach of requiring these changes through policy, establishing minimum planned density targets in existing low-density neighbourhoods (rather than general intensification targets and density targets that only apply in growth nodes and new communities), and other similar approaches. The County could also consider implementing an overlay similar to a PMTSA around post-secondary institutions that mandate minimum densities to ensure appropriate housing is delivered near schools.
- The County could take a leadership role in exploring the implementation of expanded and simplified Official Plan and/or Zoning permissions that are coordinated and consistent across each of the local municipalities (i.e., each community in Simcoe has a consistent approach to zoning and approvals).
- The County could support its local municipalities to assist with this review as these communities update their Official Plans and Zoning By-Laws.

The goal of these reforms should be to start the process of getting more housing built in general, as opposed to just affordable or attainable housing, to bring more balance to the market in terms of supply and demand. This is the best strategy for improving overall affordability for moderate-income households in the community over the longer term, as well as supporting the filtering process that frees up lower cost rental housing options for lower-income households. Investment in affordable housing will also be necessary to fill housing gaps at the lower-end of the income spectrum, which will be explored through the County’s Housing and Homelessness Plan.

It should be noted that in addition to the goal of creating a larger and more diverse housing supply, these reforms also have the potential to increase the supply of developable land (i.e., more land beyond large parcels on arterial corridors can accommodate new development). By

expanding residential permissions more broadly, there is less scarcity for development sites, and by simplifying the process with as-of-right and straightforward permissions, a much wider variety of housing providers can effectively participate in the delivery of new housing. For instance, smaller investors and contractors who are actively renovating/rebuilding older single-family homes could switch their business model to building smaller scale apartments, townhomes, and multiplex buildings on these same lots, if it were legal and simple to do so.

The following includes a number of ideas of the types of things the County should be encouraging the local municipalities and City of Orillia to undertake.

Comprehensive Zoning and Official Plan Changes

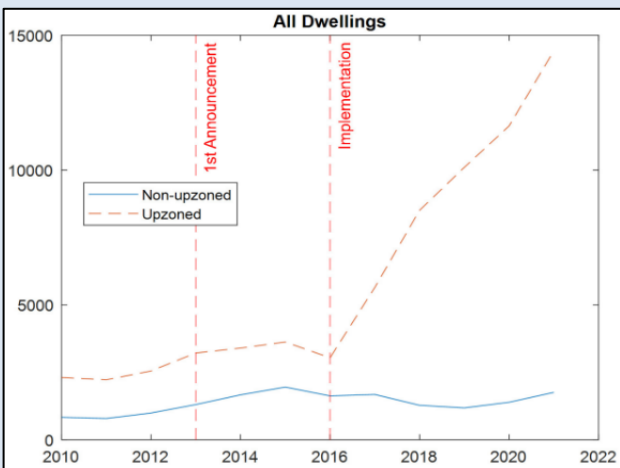
The following are some of the changes to local zoning and planning policies that the County could encourage and support local municipalities with:

- **Increase density in targeted area:** Where it does not exist already, realistic and market-appropriate as-of-right permissions should be implemented in all strategic growth locations that should ideally eliminate the need for costly and lengthy planning amendments and approval periods.
- **Eliminate single-family-only zoning:** Eliminating single-family-only zoning is not meant to restrict the construction or existence of single-detached homes, but rather to end zoning that *only* permits this built form. In any residential ‘neighbourhood’ – even those that are primarily low-rise homes – semi-detached, townhouses, and multiplex built forms could be permitted as-of-right to increase housing options. In some locations, it may also be appropriate to permit lower scale apartments as-of-right.
- **Allow more density in neighbourhoods:** The Province through Bill 23 has already required that three units be permitted as-of-right on any serviced residential parcel. There is an opportunity to take this further by ensuring medium-density housing types like traditional, back-to-back and stacked townhouses are allowed as-of-right in more neighbourhoods, as well as denser multiplex homes like four and six-plexes (e.g. encourage more “missing middle”).

Communities often see older single-family homes knocked down and replaced with larger single-family homes. This is partially due to market forces, but it is also because zoning restricts the ability to develop anything denser. Allowing denser forms of housing to be built within neighbourhoods can result in the same labour (e.g., smaller builders, contractors) and investors who are currently redeveloping

Impacts of Upzoning in Auckland, New Zealand

In 2016, Auckland implemented large-scale zoning reforms under the Auckland Unitary Plan (“AUP”) that eliminated single-family-only zoning and relaxed height and density permissions on about 75% of its residential land area. According to a recent study, Auckland’s upzoning reforms led to a significant increase in new housing permits, increasing every year since the AUP was enacted, from approximately 6,000 permits in 2015 to 14,300 permits in 2020. According to the study, building permits for 26,903 additional residential units have been issued as a direct result of the AUP policies over the first five years since its implementation.



single-family homes to transition their business model to constructing these higher density outcomes, if the approval process was as straightforward and simple as the process to build a larger single-family home.

- **Allow residential development to be integrated into designated commercial areas:** The nature and need for brick-and-mortar retail has changed. Large-format retail plazas are being re-imagined across Ontario to incorporate a mix of residential uses on existing surface parking lots and create more complete communities. This is already happening, so the County and its local municipalities should recognize this emerging trend and create a related policy framework that provides flexibility to add housing supply to these commercial properties if it does not already exist. Importantly, this would put more housing within walking distance of key commercial amenities. These are also areas that should be considered appropriate for increased maximum building heights with opportunities for taller buildings as well based on the site-specific characteristics of the property.

- **Eliminate or Reduce minimum parking requirements:** Eliminating minimum parking requirements would allow housing providers to provide parking based on market expectations as opposed to policy requirements, building only what is needed. Consideration could also be given to eliminating parking minimums for the commercial component of mixed-use buildings as well in some locations. We understand that some opponents of no parking minimums are concerned about a potential increase of residents parking on residential streets. In our view, this is an enforcement issue, not a planning issue. Investments in transit can also mitigate any negative externality of reduced on-site parking.

- **Avoid protecting stability at the expense of new housing:** Unless the proposal is in a supported heritage district, better balance the preservation of the community with the creation of housing supply through an amended policy approach. It is probable that with careful reconsideration, low-density zones could allow for a broader range of more dense housing formats while still protecting local character.
- **Update other zoning permissions as necessary to accommodate the above changes:** Local municipalities should review their by-laws to make any necessary changes related to items like setbacks, lot coverage, building depths, minimum lot sizes, etc, to accommodate the noted recommendations.
- **Clarify confirmed boundaries of constraint areas in Official Plan and Zoning area maps as much as possible.** The County could seek to reduce risk and improve clarity by better delineating constraint areas (e.g., environmental protections) for development proponents.

In addition to the items noted above, there are several approaches that could be taken to improve clarity and predictability of local zoning by-laws, some of which have already been completed by the City of Orillia:

- Reducing the number of zone categories and expanding the range of permitted uses in each zone;
- Increasing as-of-right opportunities (as noted previously);
- Limiting development by height as opposed to density, number of units, floor space index, or lot coverage;
- Simplifying the language in the by-law so it is easier to understand for non-experts;
- Utilize graphics and images to help explain any complex zone provisions;
- Review all exceptions and determine whether they should be incorporated into general zone categories, carried forward in their current form if still relevant, or deleted entirely.

Simplify the Development Process and Fast-Track Priority Projects

Impact: ★★★★★ **Cost:** \$\$ **Timeline:** Medium-Term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** Orillia / Local Municipalities

The County and local municipalities should also consider where changes to internal processes can be made to simplify the development process given that delays drive up the cost of housing. Several studies in recent years undertaken by both public sector (e.g. CMHC) and private sector (e.g. BILD) organizations have indicated that delays in the development approvals process have direct impacts on making housing less affordable and can add tens of thousands of dollars to the cost of a single unit. Again, while many of these process changes would need to be implemented at the lower-tier municipal level, the County can provide leadership on the issue, potentially providing a framework for the lower-tier municipalities to work towards.

However, other opportunities to speed internal processes to spur more construction activity should also be explored including, among others:

- Limiting the number of public consultations beyond what is required, particularly for applications that conform with local planning policies. Utilizing existing technology for additional input (e.g. ensuring that public consultations have a hybrid in-person-virtual approach, allowing for comments through municipal websites, etc), as needed, should be considered sufficient;
- Streamline the process for low-risk or uncomplicated development applications;
- Streamline the approval of building permits;
- Streamline pre-application meetings to ensure that a decision can be made quickly once an application has been submitted;
- Critically review and consider reducing the number of required studies for certain residential developments;
- Eliminate peer review requirements, where possible, if initial studies are completed by qualified professionals;
- Improve communication and decision-making between departments to support a more efficient approvals process;
- Consider the creation of pre-approved ‘off-the-shelf’ home designs.

As part of any attempts to speed up and simplify the development approvals process, efforts can also be made to fast-track priority developments (e.g. affordable housing, attainable housing, purpose-built rental housing) to help speed up the delivery of the housing that is most needed in the County. The County could take the initiative on this process and provide a standard approach that each of the local municipalities could implement as part of their planning approvals process.

Lastly, it is also notable that through their Housing Supply Challenge, CMHC is funding research on breaking down pre-construction barriers to deliver more affordable housing. Fourteen projects are being funded for this segment of the Housing Supply Challenge. The results of this work should be tracked closely to determine if any solutions are uncovered that could be relevant to County and local processes.

Community Infrastructure and Housing Accelerator (CIHA)

The Community Infrastructure and Housing Accelerator ('CIHA') is a tool that the lower-tier municipalities and Orillia might consider to speed up the development process for priority projects. We understand some of the local municipalities in Simcoe County are already considering this tool to get more housing built.

A CIHA is similar to (but less controversial than) a Minister's Zoning Order ('MZO') in that it does not have to conform to the local Official Plan and cannot be appealed – avoiding delays, reducing project risk, and providing certainty. However, the CIHA does require some public consultation, unlike an MZO, though less than a typical zoning by-law amendment. CIHAs are meant to expedite priority developments, including housing of all types, and need to be requested by a municipality to the Minister of Municipal Affairs and Housing on a site-by-site basis. The CIHA must be municipally-led and allows for an agreement to be registered on title of a property.

Leverage Technology to Improve the Approvals Process for all Local Municipalities

Impact: ★★☆☆ **Cost:** \$ **Timeline:** Medium-Term

Lead Role: County | **Implementation Role:** County

The County could take a coordinator role in developing a streamlined process for development applications as well as software solutions to track development application data that can be implemented across all local municipalities and provided at no cost. This could include software for online submissions of applications to increase convenience, predictability, and transparency for all applicants. A streamlined process across all local municipalities could create some additional efficiencies that could help to speed up the delivery of new housing in Simcoe County. It would also leverage the IT expertise and buying power at the County to help local municipalities track their housing data and measure the effectiveness of their efforts and policies.

Investigate the Potential for a Community Planning Permit System for the Creation of Attainable Housing

Impact: ★★☆☆ **Cost:** \$\$ **Timeline:** Medium-Term

Lead Role: County | **Implementation Role:** Orillia / Local Municipalities

A community planning permit system (CPPS) is a planning tool that provides an alternative to the traditional planning approval framework in Ontario. A CPPS can make the development approval processes more streamlined and efficient by allowing zoning adjustments, minor variances, and detailed site plan applications to be processed as one application and approval process, instead of two or three separate processes. Like a Zoning By-law, a CPPS by-law identifies permitted uses, and minimum and maximum development standards for a site or area. However, a CPPS by-law can set conditions for building to those standards as well as additional conditions for variances from them.

A CPPS therefore attempts to determine specific building standards for an area whereby a developer can simply be issued a permit to construct housing as envisioned by the framework. Flexibility can also be included to allow for minor variances from the approved framework, which can be processed quickly and efficiently. Major variances would require more substantial reform that can be costly and uncertain, meaning that the implemented vision must be market based and able to respond to changing market conditions.

Given the above, the CPPS has been used in smaller municipalities where market dynamics are stable (e.g., small-town downtowns, heritage districts, environmental areas, etc.). For instance, the Town of Innisfil has a CPPS in place to guide shoreline development. Of note, the City of Burlington is in the process of implementing a CPPS in their PMTSA's (i.e., GO Station), which will be the first time the tool has been used in a high growth and dynamic market environment. When designed appropriately, a CPPS can effectively streamline and speed up the development process. If not designed correctly, it will likely experience significant appeal and resistance from the development community and fail to meet its objectives.

It is also important to note that a CPPS allows the use of Inclusionary Zoning, as well as processes to secure other community benefits that are not available through traditional land use approval processes.

Create Simple Pre-Approved 'Off-the-Shelf' Building Designs for Missing Middle Housing

Impact: ★★☆☆ **Cost:** \$\$ **Timeline:** Near-term

Lead Role: County | **Implementation Role:** County

As a means of accelerating the development process, reducing costs, and increasing housing supply, the County could consider creating pre-approved ‘off-the-shelf’ building designs. Builders can then choose from the various designs depending on what type of housing is permitted on their property and construct them as-of-right without having to go through a complex approvals process.

This ‘off-the-shelf’ design approach has been taken in municipalities elsewhere, primarily for lower-density housing types, and is a similar idea to CMHC’s ‘Victory Homes’ designs that were utilized to build homes for returning veterans after World War 2. However, the County could adapt this approach for "missing middle" housing types that tend to be a more complicated to design and implement.

The County could consider a similar pre-approved ‘off-the-shelf’ approach for building types that are recommended to be permitted as-of-right in existing low-density neighbourhoods. To do so would require hiring an architect to design some simple home designs for a variety of building scales – duplex, triplex, fourplex, sixplex, townhouses, stacked townhouses, and low-rise apartment buildings (3 and 4-storeys). Simple, modular housing options could even be included to support the creation of an enabling environment for alternative construction techniques and to lower the cost construction (see Section 3.3). It could also make sense to use some of these designs as the basis for new development on publicly-owned lands.

This approach would allow interested parties to understand quickly what type of development could occur on their lot, reducing risk, cost, and resources necessary to hire an architect and planner individually to then negotiate with planning staff and Council.

A recent example of a municipality utilizing pre-approved ‘off-the-shelf’ building designs is South Bend, Indiana. Their building designs can be found [here](#), with information on the development process for these buildings found [here](#). This is a good example of a simple, easy to understand process that the County could help their local municipalities replicate. Another example is Kelowna, British Columbia which created pre-approved building designs for fourplexes in 2016 – seeing significant uptake and reducing the approval timeline for these developments from about one year on average to just two to three weeks.

Notably, the Federal government recently announced that they will create standard building designs that could be utilized as pre-approved designs in municipalities across Canada. Once available, we would recommend that Simcoe County, its local municipalities and the City of Orillia permit these designs as soon as possible, and even consider adding to them if there are any built forms that are missing from the Federal designs that could be appropriate within these communities.

Create a Standard Rental Replacement By-law That Can Be Easily Implemented by All Local Municipalities

Impact: ★★☆☆ **Cost:** \$ **Timeline:** Near-term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** Orillia / Local Municipalities

Given that the limited number of older rental buildings in Simcoe County and the City of Orillia provide relatively attainable monthly rents, and that new buildings generally do not, it would be beneficial to take action to increase the difficulty at which these units can be removed from the market.

One way to do so is with a rental replacement by-law. Section 99.1 of the Municipal Act grants municipalities the authority to regulate or prohibit the demolition or conversion of residential rental properties with six units or more. While the Province's Bill 23 gives the Minister of Municipal Affairs and Housing new powers to impose limits and conditions on municipal authority in this area, we still believe it would be worthwhile to implement a rental replacement by-law to avoid further reduction of the existing older rental stock, and to protect existing renters from displacement.

Simcoe County could create a standard by-law that could then be enacted by the local municipalities, reducing the administration of creating a new by-law for the local municipalities. The City of Orillia could also use this standard by-law, or create their own as a single-tier municipality. Alternatively, Simcoe County could provide background research and analysis supporting the creation of these by-laws at the local level.

In addition to a rental replacement by-law, creating a more permissive development environment should also help to reduce the pressure to demolish or convert these existing buildings. When housing providers have a wide range of development opportunities, they are less likely to pursue the demolition of multi-unit buildings.

Explore the Potential for Density Bonusing for Priority Projects

Impact: ★★☆☆ **Cost:** \$ **Timeline:** Medium-Term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** Orillia / Local Municipalities

Previously, Section 37 of the Planning Act was the primary mechanism for density bonusing. That has since been changed by the Provincial government and is longer an available tool. With their legal representatives, Simcoe County could explore whether there are other mechanisms to incorporate density bonusing to achieve specific housing outcomes such as affordable housing, rental housing, or other strategic objectives. Findings could then be passed to local municipalities to incorporate, if appropriate.

3.2 Coordination & Innovation Options

For several decades, all levels of government have generally left the delivery of most new housing up to the private market. This needs to change as municipalities and upper levels of government seek to solve the affordable housing crisis. While Simcoe County and the City of Orillia may not have the ability or resources to construct significant new attainable housing units on their own, they can take a leadership/coordination role in the delivery of new attainable housing in other ways. These items are not as impactful as development incentives but are nonetheless still important to consider. While they may not have the same impact, they are generally less costly.

The County has an opportunity to act as a leader for the local municipalities, initiating and overseeing many of the programs and initiatives in this document. Taking a leadership role in this way and creating County-wide programs and initiatives will be more efficient than having separate ones in each local municipality.

The following are the options listed in this section:

- Create a Navigator Program to Facilitate Priority Housing;
- Be Encouraging of Non-Traditional Construction Techniques, Housing Tenures, and Funding Models;
- Explore Housing Above or in Conjunction with New Public / Community Facilities;
- Explore Having the County Lead the Implementation and Management of Inclusionary Zoning;
- Partner with Post-Secondary Institutions and Local Industry to Drive Innovative Ways to Build More Housing Faster;
- Explore the Impact of Restricting or Increasing the Cost to Operate Short-Term Rentals;
- Ensure the County Has Robust Data Collection to Support Good-Decision Making;

Create a Navigator Program to Facilitate Priority Housing

Impact: ★★★★★ **Cost:** \$ **Timeline:** Near-term

Lead Role: County | **Implementation Role:** County

This program/department should be designed to achieve several interrelated objectives:

- Fast tract affordable/attainable housing projects through the approvals process.
- Connect market and non-market developers to achieve common affordable/attainable housing objectives.
- Connect/educate interested parties with funding, financing, and support from other levels of government.

There are several different parties in any housing market who are interested in participating in the delivery of new market, affordable, and attainable housing. However, there are few mechanisms to easily connect these parties, particularly those that may not have sophisticated operations or experience.

For example, there are many non-profits with existing capital that are interested in helping to deliver housing, but who do not have land. We also know that there are many landowners, such as churches, who have surplus land that they wish to use to serve their community in a positive way, but do not have the capacity or expertise to redevelop them on their own.

The County could create a navigator program whereby interested parties – those with equity/capital, landowners, developers, or others – that otherwise may not cross paths, can be connected to help deliver more housing, whether affordable, attainable, or market-rate. The program could also help connect potential affordable or attainable housing providers to other public funding sources (e.g. CMHC programs) and help them navigate the development process. This would essentially be a broader approach to the ‘one-window’ programs many municipalities offer to help guide housing providers through the approvals process. The County taking the lead on a program like this may be more efficient and effective than each local municipality doing so on their own.

The department would also assist all priority housing projects to navigate the approval process more quickly by assigning dedicated staff to ensure applications are reviewed and approved in a timely manner.

Whoever oversees this type of program needs to have a deep understanding of all current funding and financing programs – how they work, who they are meant for, what the requirements are, how much funding is available, timelines for funding, the approval process, etc. Having a deep understanding of the wide variety of funding and financing programs from upper levels of government would allow the County to provide advice to housing providers – non-profits, private developers, and others – who are interested in building new affordable/attainable housing or purpose-built rental housing. The County could direct these housing providers to the programs that would offer their projects the biggest benefit and provide them with guidance on how to apply for and access the available funding/financing through the concierge program.

Finally, we have also heard that it would be beneficial for housing providers to receive letters of support as part of their applications for these funding programs. This would be an easy way for the County and their local municipalities to support these organizations that would not have budgetary implications in the same way as other means of support.

Be Encouraging of Non-Traditional Construction Techniques, Housing Tenures, and Funding Models

Impact: ★★☆☆ **Cost:** \$ / \$\$ **Timeline:** Immediate

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** County / Orillia / Local Municipalities

The County could aim to create an environment that is welcoming to creative ideas related to construction techniques, housing types, building designs, funding models and other elements of the development process. In many cases, there are emerging options that can reduce cost and construction timelines relative to more traditional developments. There is an opportunity to create pilot programs that put the County at the leading edge of some of these emerging alternatives and to educate local municipalities on their benefits.

While specific municipal policy or regulatory barriers have not been identified, this option relates more to proactive support and openness to these alternatives. The County could encourage enabling policies to allow for these emerging development options and could also be open to using them in new developments on public land, where appropriate, particularly if they deliver additional value in the form of deeper affordability, a higher proportion of affordable or attainable housing units, or more rapid delivery of affordable or attainable units. The County, through the navigator program can also be supportive of these alternative construction options by working to connect housing providers

interested in delivering more affordable or attainable housing in the County – whether non-profit or for-profit – with providers of these alternative options.

Non-Traditional Construction Techniques

The two most common construction materials for new multi-family buildings are wood-frame and concrete. In recent years, the cost of construction associated with both materials has increased dramatically. Over the past five years, concrete and wood-frame construction costs have risen by an estimated 40% to 60%, according to Altus Group.

Alternative construction techniques, like modular housing or panelization, can provide some construction cost relief while also delivering housing quicker – something that cannot be overlooked in communities where there is a significant shortage of affordable and attainable housing options.

Based on information provided to NBLC by a modular general contractor, modular housing construction has fewer cost overruns than traditional developments, increased certainty due to off-site and indoor manufacturing, and is generally 30% to 40% faster to deliver than traditional construction, with some 4-storey buildings delivered within 12 months from design through construction completion. It is also scalable and provides the advantage of easy replication due to simple floorplates and building designs.

Non-Traditional Housing Tenures / Types

Like alternative construction techniques, the County could aim to create an environment that is open to non-traditional housing tenures, ensuring that County and local planning policies enable these types of developments to be constructed. Some recent examples of non-traditional housing tenures that are likely to provide more affordability than traditional ones include co-housing, multi-generational housing, dormitory-style workforce housing, and tiny homes.

It is probable that there are already non-traditional housing tenures that exist in the County. By creating a policy framework related to these housing tenures, the County and local municipalities can encourage them while also ensuring they are safe.

Non-Traditional Funding Models

The County should consider what they can do to support organizations proposing non-traditional funding models for attainable housing if they were to emerge in the coming years, whether they are designed as a co-op, community land trust, or another model. The most obvious support could be through property tax breaks or other incentives in exchange for affordability guarantees. This could potentially be implemented through the CIP or MCFB noted earlier.

Explore Housing Above or in Conjunction with New Public / Community Facilities

Impact: ★★☆☆ **Cost:** \$\$ / \$\$\$ **Timeline:** Long-Term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** County / Orillia / Local Municipalities

One way to encourage additional affordable or attainable housing is to consider it above or in conjunction with new public or community facilities, where appropriate. For example, if a new library or community centre is built, consideration should be given to constructing the building with housing above the community use. This adds density in proximity to important community amenities and forces the municipality to take a ‘complete communities’ approach to public building rather than simply constructing a new single-storey facility.

Partnering with a developer on the project could allow the developer to build new market-rate housing as part of the development to help subsidize the cost of any affordable or attainable housing units and create a new mixed-income building.

Also worth consideration within this topic is whether there are opportunities to build new housing above existing community facilities. Modular apartments could potentially be constructed on top of these buildings, with separate entrances to the residential units apart from the existing community facilities.

Explore Having the County Lead the Implementation and Management of Inclusionary Zoning

Impact: ★★☆☆ **Cost:** \$\$ / \$\$\$ **Timeline:** Medium-Term

Lead Role: County | **Implementation Role:** Orillia / Local Municipalities

Inclusionary Zoning (“IZ”) is a tool that allows municipalities to require affordable housing within Protected Major Transit Areas (“PMTSA”) or Community Permit System Areas. The process for implementing IZ is complex and requires numerous studies that evaluate the need for affordable housing, PMTSA plans that dictate minimum densities, a market assessment report that evaluates the impact of the policy on development feasibility, and other similar matters. Since the legislation was approved in 2018, only the City of Toronto and Mississauga have advanced its implementation. Recently, the Province has also restricted the use of IZ to a maximum of 5% of a building’s gross floor area, a maximum affordability length of 25-years, and municipalities are required to waive development charges, parkland fees, and community benefit charges for the affordable units.

Currently, there is only one PMTSA in Simcoe County within Innisfil, one future PMTSA identified in Bradford West-Gwillimbury, and no Permit System Area with an urban location. However, many communities across Ontario are advocating for expanded permissions to implement IZ beyond this geography. There are several ways Simcoe County can encourage the effective implementation and management of an IZ policy:

- The County can consider completing an IZ Regional Assessment Report that satisfies the requirements of O. Reg. 232/18. While IZ is implemented through local PMTSA’s and zoning, the Assessment Report (which must be peer reviewed) is an onerous undertaking that the County could complete for the entire community (particularly if IZ can be used beyond PMTSAs), therefore allowing each local municipality to advance IZ by-laws as appropriate. For example, this Regional IZ approach was undertaken by Peel Region, in collaboration with the local municipalities, which allowed Mississauga to advance an IZ by-law. This approach could also illustrate that IZ could be effective beyond the Innisfil PMTSA when advocating to the Province.
- In addition to the implementation of IZ, the management of an IZ framework is equally as important. The County can consider leading the administration of an IZ policy by:
 - Enforcing the requirements of IZ and ensuring all affected projects are adhering to the requirements over the required length of affordability.
 - Preparing the reports to municipal council that describes the units created through the policy over time.
 - Reviewing the policy and preparing required updates as required.

- Establishing and maintaining a waitlist for both the rental and ownership units. While each community can establish the housing need in the community, IZ is best suited for moderate-income housing (e.g., typically 80-125% of the CMHC AMR) so it aligns well with the target groups in the ASAP. The County may therefore consider creating a new waitlist for moderate income groups to ensure there is a steady stream of eligible buyers and renters ready to occupy new units created through an IZ policy.
- Another common issue that has been identified with IZ in Ontario is the preference of developing condominium buildings over rental tenure. Since IZ cannot dictate tenure, this will remain the choice of developers moving forward. In the absence of incentives that encourage more rental housing, it is therefore likely that condominium buildings will continue to advance. Condominium projects will likely choose to satisfy IZ requirements by providing affordable ownership housing, rather than proceeding with the complexity of a mixed-tenure building. Affordable ownership units, while needed in the community, are often affordable only to the first household, which can then be sold at market rate upon resale. The County would have several options to deal with this issue:
 - Capture a portion of the increase in value upon the future sale of an affordable ownership unit (capped at 50% by O. Reg. 232/18).
 - Create a framework that protects affordability over the long-term by restricting the value increase or future sale of the unit.
 - Partnering with non-profit groups like Habitat for Humanity to manage these units.
 - The County could also acquire these units to manage them within the existing County housing portfolio. These could be managed as a perpetual affordable ownership model (e.g., Whistler Housing Authority model) or rented to lower-income households.

Many households may also qualify for an affordable ownership unit based on their income but may not have the required downpayment. These units must also be sold in the pre-construction phase of a project, meaning eligible purchasers will need a 20% downpayment. The County could consider utilizing its existing downpayment assistance program to assist the eligible households on the waitlist.

Partner with Post-Secondary Institutions and Local Industry to Drive Innovative Ways to Build More Housing Faster

Impact: ★★ **Cost:** \$ **Timeline:** Medium-Term

Lead Role: County | Implementation Role: County

Simcoe County can explore whether there are any partnership opportunities with post-secondary institutions or local industry to explore innovative ways to build more housing faster. This could include exploring brand new ideas, or understanding how existing innovations can be better incorporated in Simcoe County (e.g. modular housing, panelization, etc). This could also include exploration of ways to speed up the development process, among other topics.

Explore the Impact of Restricting or Increasing the Cost to Operate Short-Term Rentals

Impact: ★★ **Cost:** \$\$ **Timeline:** Medium-Term

Lead Role: County | Implementation Role: County

Short-term rentals can remove homes from the market that otherwise could be occupied by residents, reducing the available supply of homes and reducing affordability. Simcoe County can explore what can be done from a regional perspective to restrict the number of short-term rentals in the market. This could include increasing licensing fees or other costs to discourage short-term rental operators. It will be important to consider as part of this exploration that not all short-term rentals are full units as some homeowners rent a room in their homes from time to time to help financially. The Federal Government is currently investigating new taxes to make short term rentals less lucrative.

Ensure the County Has Robust Data Collection to Support Good-Decision Making

Impact: ★★★ **Cost:** \$ **Timeline:** Near-term

Lead Role: County | Implementation Role: County

Many municipalities have room for improvement when it comes to data collection. Simcoe County should ensure that their data collection efforts are robust moving forward to help make more informed decisions around housing and to have a better grasp on current and historical market conditions. Data should be collected on a wide variety of items including, but not limited to, monthly resale pricing by housing type,

pricing for new construction housing, number of affordable and attainable housing units and their price points / groups served, number of accessory dwelling units / secondary units, how Simcoe compares to other municipalities on the above items, etc.

Where possible, Simcoe County should make an effort to collect historical data on these and other items in order to understand how these things have changed over time. Robust data collection will also be helpful in accurately monitoring progress made as part of the eventual Housing ASAP, and could help to make decision-making more efficient, not just when it comes to housing, but also for many other municipal responsibilities. Better data collection will also make it easier to update the County's Housing Needs Assessment in the future.

Lastly, Simcoe County could take a regional lead on this item, collecting data for all local municipalities to reduce the research burden for each of these communities and to provide one central source for this information.

3.3 Advocacy Initiatives

Municipalities have limited resources to deal with the growing shortage of attainable housing. They can only do so much on their own.

More active participation from the Provincial and Federal governments will be required moving forward to have a more significant and lasting impact, particularly when it comes to subsidizing new affordable and attainable housing development. As such, the County should be advocating to upper levels of government for help in solving their affordability issues, ideally with targeted requests.

Notwithstanding this, advocacy alone will not be enough. The County and its local municipalities need to undertake the changes that are within their own control prior to or in tandem with this advocacy work.

The following are the options listed in this section:

- Advocate for More Direct Funding for Attainable Housing from Upper Levels of Government;
- Advocate to CMHC for More Streamlined Access to Funding and Financing Programs;
- Advocate to CMHC to Offer Lower Cost Financing for All New Rental Development;
- Advocate for More Revenue Tools to Reduce the Burden on the Tax Base;
- Advocate for Increased Labour Supply for New Development;
- Request Targeted Funding Where it is Not Currently Available;
- Advocate for More Progressive Property Taxation Options;
- Advocate for More Tenant and Landlord Protections;
- Advocate for Housing Funding/Investments to Align with Population Growth Targets (Including Student Growth);
- Advocate for Streamlined and Predictable Approvals Processes from Other Levels of Government / Governmental Agencies;
- Leverage the Collective Power of Municipalities in Advocacy.

Advocate for More Direct Funding for Attainable Housing from Upper Levels of Government

Impact: ★★★★★ **Cost:** \$ **Timeline:** Medium-Term / Long-Term **Role:** Federal / Provincial

The Federal government used to fund new below-market housing directly during the 1960s - 1980s in Canada. While funding for below-market housing from upper levels of government has increased relative to the 1990s/2000s in recent years, more is needed. Simcoe County, its local municipalities, and the City of Orillia could advocate for more direct financial involvement from both the Federal and Provincial governments in getting new attainable and affordable housing built. Funding from sources such as the Land Transfer Tax from purchase of non-primary dwellings could be allocated to municipalities, for example.

Advocate to CMHC for More Streamlined Access to Funding and Financing Programs

Impact: ★★★★★ **Cost:** \$ **Timeline:** Long-Term **Role:** Federal

NBLC has heard time and again about the challenges for non-profits in accessing CMHC's funding and financing programs. The County could advocate CMHC and the Federal government to create a more streamlined process to access these funding and financing programs for these groups to more easily access low-cost financing to create new affordable, attainable, and market-rate rental housing. The easier it is to access these programs, the more housing these organizations can deliver, and the more it will benefit the County.

Advocate to CMHC to Offer Lower Cost Financing for All New Rental Development

Impact: ★★★★★ **Cost:** \$ **Timeline:** Long-Term **Role:** Federal

One of the reasons that condominium apartments are more attractive for developers than purpose-built rental apartments in many markets is ease of financing. It is likely that purpose-built rental development would increase if developers had predictable access to low-cost financing for these projects. Simcoe County, its local municipalities, and the City of Orillia could advocate to the Federal government to provide low-cost financing for ALL new purpose-built rental development through CMHC, whether affordable, attainable, or market-rate, in order to encourage a shift towards more rental construction.

Advocate for More Revenue Tools to Reduce the Burden on the Tax Base

Impact: ★★★★★ **Cost:** \$ **Timeline:** Medium-Term / Long-Term **Role:** Provincial

As noted, the revenue tools currently available to the County are limited, requiring an over-reliance on the property tax base. The County could advocate to the Province of Ontario for greater flexibility in how they collect revenues to pay for municipal priorities like affordable and attainable housing.

At the very least, the County could advocate for expanded powers similar to those provided to Toronto through the City of Toronto Act. Additional revenue tools available through the City of Toronto Act include a vehicle registration tax, advertising tax, alcohol and tobacco taxes, a commercial parking levy, and others. Consideration could also be given to advocating for even more powerful revenue tools like a municipal income tax, municipal sales tax, and others. These items have the potential to raise significant funds.

Advocate for Increased Labour Supply for New Development

Impact: ★★★★★ **Cost:** \$ **Timeline:** Long-Term **Role:** Federal / Provincial

As noted in Appendix A, labour supply for new development is a key factor contributing to the housing shortage. If there are not enough labourers and skilled trade workers, there is little chance that the Province will be able to reach its own goal of 1,500,000 new homes over 10 years.

Not only is there a shortage of construction and skilled trade labour, but according to CIBC, the existing workers are aging out quickly, with a rising proportion of workers above the age of 55. If these older adults are not replaced with younger workers, the shortage is only going to become more acute over the next decade.

These issues have been identified at upper levels of government, but the County, its local municipalities, and the City of Orillia could advocate to the Provincial and Federal governments to remedy the labour shortage issue to keep the pressure on. Some potential solutions could include:

- Prioritizing applications from New Canadians who have experience as skilled trades in the residential construction industry;

- Increase the number of foreign workers and other non-permanent residents that could be lured to Canada to work in the construction industry either as labourers or skilled trades;
- Encourage more young people to attend College and enter the skilled trades – potentially through tuition incentives.

Request Targeted Funding Where it is Not Currently Available

Impact: ★★☆☆ **Cost:** \$ **Timeline:** Medium-Term / Long-Term **Role:** Federal / Provincial

Where it is not currently available, consideration could be given to advocating for direct, targeted funding for priority projects. For example, if Simcoe County requires new infrastructure funding to support the development of new housing, this could be advocated for if it would support the delivery of more housing. It is also possible that a new development on a piece of public land may not meet the criteria of existing funding and financing programs, for example, so the County or City of Orillia could advocate for financial help from the Province and/or Federal government to help fund the project to ensure that it can become a reality.

Advocate for More Progressive Property Taxation Options

Impact: ★★☆☆ **Cost:** \$\$ **Timeline:** Long-Term **Role:** Provincial

The County could consider advocating to the Province for permission to take a more progressive approach to property taxation.

For example, a property tax system based on housing type would charge the highest tax rate to single-detached homes – generally the most expensive housing type to service – with apartments paying the lowest tax rates, with rental tenure and/or affordable/attainable buildings potentially paying a lower rate than condominium apartments. This would essentially create a hierarchy in the property tax system based on the true cost of servicing these homes, with some leeway to reductions for priority housing types.

Alternatively, a system based on property value could take a similar approach to income taxes. Instead of using a flat mill rate across all homes, the tax rate could increase incrementally across multiple tax brackets as the value increases, or a surtax could be applied to properties above certain value thresholds (e.g. 0.25% surtax for properties between \$1M and \$1.5M, 0.5% for properties between \$1.5M and \$2M, etc).

These would represent significant changes to the standard property tax system. However, they would put the County at the leading edge of progressive taxation, would represent a more equitable approach, and could help with affordability of apartments and denser ground-oriented homes like townhouses and stacked townhouses by reducing carrying costs, potentially spurring more investment of these housing types.

Advocate for More Tenant Protections

Impact: ★★ **Cost:** \$ **Timeline:** Medium-Term **Role:** Provincial

Simcoe County, its local municipalities, and the City of Orillia can advocate to the Provincial government for more tenant protections to reduce things like renovictions. The most vulnerable households financially are often renters. Being suddenly pushed into an increasingly expensive market can be a significant financial burden. Building more rental housing will also have a significant positive impact on this topic. Some adjustments to Provincial rent control policies may also be worth consideration.

Advocate for Housing Funding/Investments to Align with Population Growth Targets (Including Student Growth)

Impact: ★★★★★ **Cost:** \$ **Timeline:** Medium-Term / Long-Term **Role:** Federal / Provincial

As the Federal and Provincial governments increase population growth targets - including those of the student population – Simcoe County, its local municipalities, and the City of Orillia could advocate that housing funding and investments from these upper levels of government align with population, growth, and housing starts.

Advocate for Streamlined/Predictable Approvals Processes from Other Levels of Government / Governmental Agencies

Impact: ★★★★★ **Cost:** \$ **Timeline:** Near-term / Medium-Term **Role:** Federal / Provincial

While municipalities often receive criticism for slowing the development process, there are other levels of government and government agencies that also contribute to the slow development approvals process. As Simcoe County, its local municipalities, and the City of Orillia work to streamline their own processes, they could also advocate for more streamlined and predictable approvals processes from these other agencies to increase the effectiveness of the work being done at the municipal level.

Leverage the Collective Power of Municipalities in Advocacy

Impact: ★★☆☆ **Cost:** \$ **Timeline:** Long-Term **Role:** Municipal

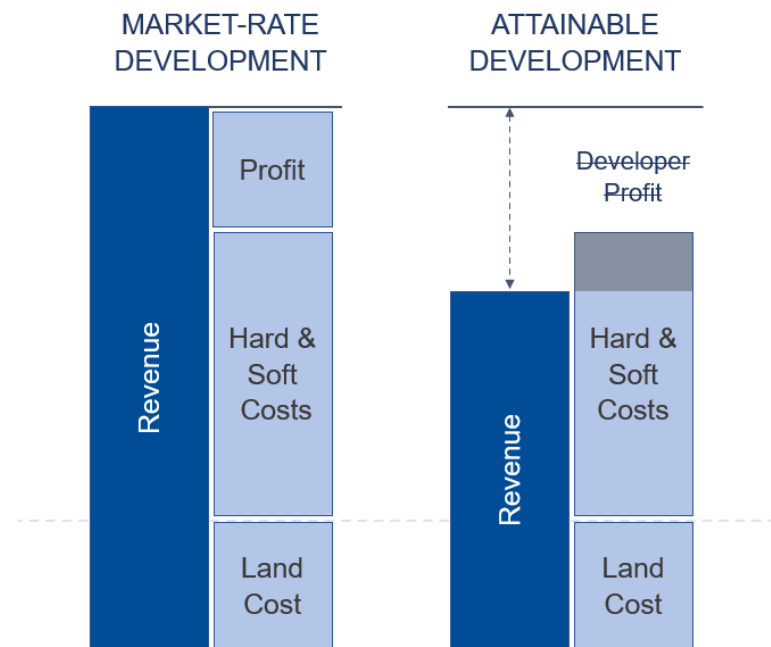
The issues that the County faces from a housing perspective are common across many municipalities in Ontario and throughout Canada. Leveraging the collective power of municipalities who are seeking similar outcomes from upper levels of government would be more impactful than attempting to go it alone. Collectively, a large number of Ontario or Canadian municipalities all showing that they are seeking similar changes could go a long way to creating the necessary change that is being advocated for.

3.4 Financial Options

Currently, there is no business case for the private sector to build attainable housing, as defined for the purpose of the Housing ASAP, on their own. The revenues associated with attainable housing are not sufficient to cover the costs of new development while also providing the developer with a reasonable return. Non-profits do not require a return, but they struggle to secure the financing and equity needed for an attainable housing project to advance. Further, even market rate purpose-built rental housing is difficult to advance in the current market, with many calling for additional incentives from all levels of government to help incentivize greater rental construction.

The County, Orillia, and local municipalities can reduce the cost of development using development incentives to encourage private and/or non-profit developers to participate in the delivery of attainable and market-rate rental housing. For any incentive program that is developed through the Housing ASAP, attainable housing as defined in this report should be the highest priority, but market-rate purpose-built rental development should also be considered as a secondary priority given the limited new investment and incredible need identified. As noted in our housing needs analysis, condominium tenure development is more economically appealing than purpose-built rental development for a variety of reasons including lower equity requirements, ease of financing, differences in costs, and shorter timeline to achieving profits.

The County could also consider offering a smaller package of incentives to assist non-profit attainable ownership groups such as Habitat for Humanity and Options for Homes, assuming these projects can offer attainable housing options to those below the 7th income decile.



Finally, when it comes to financial approaches and incentives, we would recommend avoiding those that increase demand for existing housing. The Federal government has introduced several initiatives in recent years to help first-time home buyers, in particular. While these efforts are helpful for some, they also increase demand for ownership housing without policies to create more supply to offset the increase in demand. The County should avoid similar demand-side incentives where possible and instead focus their resources on solutions that will create more

attainable and market-rate housing *supply*. The gap between supply and demand of housing – along with the type of housing available – has been a key driver of the rapid increase in housing prices and rising unaffordability (see Appendix A).

The following are the strategic options listed in this section:

- Offer Development Incentives for Targeted Projects;
- Prioritize Housing Outcomes on Public Land;
- County to take the Lead on Creating a Candidate Sites Catalogue (mapbook) of Municipally Supported Priority Housing Sites;
- Create an Enhanced and Predictable Funding Stream for Attainable Housing;
- Enhance the Existing Secondary Suite Program to Include Funding for Units that Have Attainable Prices;
- Invest Budget Surpluses into Desired Housing Outcomes.

Offer Development Incentives for Targeted Projects Through a CIP and/or MCFB

Impact: ★★☆☆☆ **Cost:** \$\$\$ **Timeline:** Medium-Term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** County / Orillia / Local Municipalities

The County currently offers incentives for secondary suites of up to \$30,000 per home, with local communities like Collingwood offering an additional incentive to improve take-up and demand. Through the ASAP, we recommend the County review this program to understand take-up and challenges to improve the effectiveness of creating second suites in existing neighbourhoods. If necessary, amendments should be made, including increasing the grant amount.

The County also offers an Affordable Homeownership Downpayment Assistance Program by offering a 10% downpayment (maximum of \$50,000) in the form of a 20-year forgivable loan to eligible lower income renter households. Given the increase in home prices over the past few years, we understand take up in this program is modest. Further, as discussed earlier, demand side incentives do not increase supply, but rather increase demand for an already constrained housing market. It could be argued that lower income renter households would be better served through an increase in attainable/affordable ownership and rental housing supply, which can be achieved through incenting these

outcomes. Incentivizing non-profit ownership groups (i.e., Habitat for Humanity) would likely be a stronger use of capital, since these groups build homes while also offering second mortgage downpayment assistance.

The County could consider offering financial incentives to encourage a range of housing outcomes, either through a Community Improvement Plan ('CIP') or through a Municipal Capital Facility By-Law ('MCFB'). CIPs and MCFBs are similar tools that allow municipalities to offer incentives to achieve specific outcomes, which would otherwise be prohibited as bonusing through the Planning Act. A CIP or MCFB can be used to incentivize / subsidize housing for any level of income – though deeper subsidies on a per-door basis are needed for deeper affordability.

Recently, both the Region's of Peel and Durham have implemented Regional Incentive Programs that target affordable housing for moderate-income households (e.g. what Simcoe County defines as 'attainable housing'). Both programs are administered through a MCFB and both offer up-front capital grants that developers compete for. With a budget of \$7.5M, Peel Region secured 135 affordable rental units in the first year of the program, and are currently launching a subsequent round in 2023 that is offering \$10M in capital grants.

The following provides an overview of CIPs and MCFBs.

Community Improvement Plan (CIP)

Section 28 of the Planning Act loosely defines the types of incentives that can be used through a CIP. The Act generally allows for the acquisition, preparation, and disposition of land by the municipality as well as the offering of grants and loans. Section 28(7) generally states that *“the municipality may make grants or loans, in conformity with the community improvement plan, to registered owners, assessed owners and tenants of lands and buildings within the community improvement project area”*. Grants and loans can be offered to partially or wholly cover eligible costs (but not exceed), which can include anything from site preparation, development, construction, redevelopment, and other related items. Municipalities may also offer property tax relief through a CIP, however, only for eligible heritage and brownfield properties. For other community improvement objectives, property taxes can be addressed through grants (i.e. tax increment equivalency grant), such as the retention or conversion of residential units above existing commercial uses in the Downtown Core.

Common incentives within a CIP include grants for development charges, capital grants, tax increment equivalent grants (“TIEG”), application and building permit grants, feasibility study grants, façade improvement grants, capital grants to offset construction costs, construction

financing, offering municipal land in support of a community improvement, parking rate reductions, fast tracked application reviews, and many others.

Of note, only prescribed upper-tier municipalities can advance a CIP at the current time. Making a request to the Minister for such powers should be advocated for.

Municipal Capital Facilities By-Law (MCFB)

An MCFB is like a CIP in that it offers a municipality the flexibility to provide financial incentives to the development industry in exchange for affordable/attainable housing. While the definition of what constitutes a municipal capital facility is narrow, affordable/attainable housing is specifically permitted. As such, an MCFB is commonly used in Ontario as a mechanism to encourage affordable/attainable housing, though it is limited in its ability to achieve other planning and economic objectives relative to the flexibility of a CIP. Its use beyond affordable/attainable housing is therefore limited.

An MCFB is enabled through Section 110 of the Municipal Act, which states that municipalities can enter into an agreement with non-profit and for-profit developers to provide incentives in exchange for affordable/attainable housing. Incentives can include giving or lending money, giving, leasing, or selling property, guaranteeing borrowing, and reducing wholly or partially development charges and property taxes.

To enter into an agreement, a municipality must first pass a Municipal Capital Facility By-Law ('MCFB') that must define affordable housing (in the case of Simcoe County, the definition could align with that for attainable housing in this report), 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 Planning Act. Once the by-law is in force, a municipality can then enter into individual agreements, referred to as Municipal Capital Facility Agreements, with selected projects.

Choosing the Right Incentive Tool

While these tools are similar, a MCFB can be amended much more quickly than a CIP. MCFBs require only a single by-law to Council to repeal and replace or amend the by-law, and require almost no administrative burden to change parameters of the program.

A CIP on the other hand requires public meetings and can be appealed by a member of the public, both through initial approval and any subsequent amendment. A MCFB can also only be used for affordable/attainable housing as defined by the MCFB, whereas a CIP can achieve

multiple objectives. Finally, while a MCFB can only be used for affordable/attainable housing, recent MCFB's have defined affordable as anywhere from social housing to attainable housing to market rental housing, given the housing needs in the community so there is some flexibility in the definition of 'affordable'. From the perspective of incenting affordable or attainable housing development, the MCFB is likely to be the best option due to its added flexibility. However, a MCFB can only incentivize affordable housing and not other objectives, which is the only downside of this tool.

Simcoe County also already has a Municipal Housing Facilities By-law ('MHFB') which for all intents and purposes is the same as an MCFB. The County could easily make some adjustments to this existing MHFB to provide incentives for attainable housing.

It is important to also note that local municipalities can also offer incentives through the County's CIP or MCFB, allowing the creation of a single program that reduces the redundancy for each local municipality in Simcoe County to have their own separate program, and also eliminating the requirement for developers to apply to both a local and County incentive program at the same time.

Simcoe County could develop a County-wide incentive program that stacks with funding from the local municipalities as well as senior levels of government. If this approach is taken, a feasibility study should be undertaken to ensure that enough funding is allocated to the program to ensure its success. Unlike Inclusionary Zoning, a CIP or MCFB is a voluntary tool where developers will choose whether or not to participate. If funding is insufficient, developers will not take up the funding.

Based on the findings of the Housing Needs Analysis, an incentive program can be used to support attainable rental, market-rate rental (albeit maybe a reduced incentive package), as well as attainable ownership options. Incentives can also be allocated to supporting missing middle typologies, the creation of Additional Dwelling Units ('ADU'), for-profit and non-profit projects, and other smaller scale housing options. The level of incentive needed to incent different outcomes should be explored in the feasibility study identified above.

Incentives can also be used in other non-traditional ways. For example, a group called Union Co-op is working to purchase and maintain 'naturally occurring affordable housing' in the Kitchener-Waterloo area – older buildings with below market rents (see case studies in Appendix A). This group was able to compete with well-funded Real Estate Investment Trusts ('REITs') in purchasing two buildings in Kitchener because the City of Kitchener had offered them a property tax break that lowers their operating costs beyond that of a typical property manager and allows them to maintain the affordable rental rates.

We have also heard from several non-profit groups about the challenges of securing financing for new housing from traditional lenders. The County could consider whether they would have the capacity to support these organizations by either guaranteeing loans from these traditional lending sources, or even offering low or no-interest loans to help advance the creation of new attainable housing. This could also be beneficial for these organizations as they await funding/financing approval from CMHC.

Prioritize Housing Outcomes on Public Land

Impact: ★★★★★ **Cost:** \$ **Timeline:** Medium-Term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** County / Orillia / Local Municipalities

Like the incentives noted above, no-cost or low-cost land is a way to subsidize the development of new affordable or attainable housing and can have a significant impact on project affordability. There are several examples of the County and its local municipalities already using public land for new affordable or attainable housing. A similar approach could be utilized to create more attainable housing.

We would recommend that the County undergo an RFP process for any property that is deemed to be vacant or underutilized and that would be considered appropriate for a new residential or mixed-use development. The RFP process would allow housing providers and/or long-term operators to compete for the opportunity to develop the site based on a list of requirements as set out in the RFP.

We would recommend the following for any publicly-owned property being used for new attainable housing development:

- Optimize the density on the property;
- Maximize the number of attainable/affordable housing units delivered. Be open to mixed-income developments as a means of subsidizing the attainable housing units. A mixed-income rental tenure development could also provide the benefit of delivering two types of housing that are currently in short supply in the County;
- Set clear requirements for depth and length of affordability, and target groups;
- Prioritize rental tenure development over ownership;

City of Toronto Housing Now Program

Housing Now is an initiative to activate City-owned sites for the development of affordable housing within mixed-income, mixed-use, transit-oriented communities. Through an annual RFP, the City offers public land at reduced value to the private sector. Sites are released on a competitive basis, where the City pre-zones and details the affordable housing to be included through each property.

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.



- Offer the property without cost, or at below market value. We would not recommend selling public lands at full market value and reinvesting profits into other priorities, unless there is a clear rationale that will allow for the delivery of more affordable/attainable units.
- Be open to creative solutions around construction techniques, building design, and housing models that can reduce the cost of development on public land, support more affordable/attainable housing delivery, and support the County’s housing needs and priorities;
- Identify partners to not only develop the housing, but also operate any new housing units after construction completion.

We would recommend the County undertake a portfolio review of all publicly-owned land across the County – whether owned by the County or other levels of government. Working with the entities that own the properties, the County can take a leadership role on this portfolio review to better understand which properties are best suited for new residential development – and what is needed in order to prepare these sites for redevelopment – would ease the burden on local municipalities and accelerate the process relative to each municipality doing so on their own.

Simcoe County is also investigating the revitalization potential of existing social housing properties. Many communities across Ontario are reevaluating existing and older social housing sites that are often underutilized and require significant capital repairs to remain viable. These sites can be redeveloped with more density to include more homes and a greater social mix. Examples include Regent Park in Toronto, Jamesville in Hamilton, and Rideau Heights in Kingston. Balancing the use of public lands for new low-income housing through the County’s Housing and Homelessness Plan must also be considered.

Orillia District Collegiate and Vocational Institute, City of Orillia

The County of Simcoe purchased the surplus school property in 2018 with the intent to transform it into a regional community hub combining social services and affordable housing under one roof. The new 216,000 square foot (‘sf’) facility will include 130 mixed affordable units capped at 80% of the CMHC Average Market Rent (‘AMR’) and 60,000 sf of commercial/ community space.

Funding for the project comes directly or indirectly from all levels of government including the City of Orillia, County of Simcoe, and the federal and provincial government through the Ontario Priorities Housing Initiative.



Where public land may not be available, Simcoe can consider acquiring new sites as opportunities become available. For example, older school properties can be acquired by municipalities if they are declared surplus, which is a situation occurring more frequently in communities across Ontario. The County could consider acquiring a surplus school property for the purpose of developing new attainable housing and community uses, similar to what was done on the Orillia District Collegiate and Vocational Institute site

We also understand the County is pursuing a ‘call for land’ to develop new social housing projects. Working with local municipalities who may not have the resources to advance a land program of their own can be a quick and effective way to increase the inventory of lands currently available.

County to take the lead on creating a Candidate Sites Catalogue (mapbook) of Municipally Supported Priority Housing Sites

Impact: ★★★★★ **Cost:** \$\$\$ **Timeline:** Near-term

Lead Role: County | **Implementation Role:** County

The County can consider creating a Catalogue of sites (e.g., a mapbook) that identifies the location of lands owned by municipalities, county, province, and approval authorities. Private non-profit and/or for-profit lands with housing potential may also be considered as layers, including institutional and/or commercial lands no longer needed. Housing potential will be considered on these various pieces of public and private lands based on a set of criteria. Public Lands could then be considered for housing at no cost or low cost to housing providers. Incentive and funding programs could also be considered for these identified housing potential lands.

Create an Enhanced and Predictable Funding Stream for Attainable Housing

Impact: ★★★★★ **Cost:** \$\$\$ **Timeline:** Near-term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** County / Orillia / Local Municipalities

Adequate and consistent funding will be required to make an impact on the delivery of more attainable housing in Simcoe County. This will require that the County either find new revenue that can be allocated to any programs that come out of the ASAP, or to find room in the existing budget by reallocating funds from elsewhere to housing priorities.

If funding streams are unavailable within the current budget, the County could explore the feasibility of a modest property tax increase to fund affordable/attainable housing priorities as a small increase can have a significant impact on available revenue. The revenues from this tax increase could be utilized to fund the CIP or MCFB incentives, for example.

As an example of the effectiveness of a modest tax increase, with more than 145,000 households in Simcoe County and the City of Orillia as of the 2021 Census, a \$100 per year increase to property taxes for the average household could raise over \$14,000,000 annually to go towards affordable/attainable housing initiatives while costing the average household less than \$10 per month.

If it would help with buy-in from residents, the increase for affordable/attainable housing could even be included as a separate line item on individual tax bills, similar to the City of Toronto's City Building Fund. For full transparency on why the extra money is being collected, a pamphlet could be included in property tax mailers that provides insight on how the funds were used the previous year and plans for which initiatives they will fund in the coming year.

Explore Alternative Revenue Tools to Reduce the Burden on the Property Tax Base

Notwithstanding the above, the County can also explore the limited number of other revenue tools that are available to municipalities as a means of raising revenues that can be used towards housing outcomes and help to reduce the burden on the property tax base where possible. While these alternative revenue tools should be explored, it will be important to consider that their potential to raise significant revenues will be limited compared to property taxes. In some cases, administrative costs may outweigh the revenue that is collected. Finally, we note later in the advocacy initiatives (Section 3.4), that the County could advocate to the Province for additional municipal revenue tool options.

Enhance the Existing Secondary Suite Program to Include Funding for Units that Have Attainable Prices

Impact: ★★☆☆ **Cost:** \$\$ **Timeline:** Near-term

Lead Role: County | **Implementation Role:** County

As noted, Simcoe County currently has a secondary suite program that provides incentives to homeowners who wish to add an additional unit to their property, with grants up to \$30,000 provided based on specific affordability thresholds. The County could consider enhancing the existing program to include secondary suites that are provided at attainable rent levels, perhaps with a lower grant amount.

Invest Budget Surpluses Into Desired Housing Outcomes

Impact: ★★★★★ **Cost:** \$\$/\$\$\$ **Timeline:** Near-term

Lead Role: County / Orillia / Local Municipalities | **Implementation Role:** County / Orillia / Local Municipalities

While it would not be a reliable or consistent source of funding, the County could give consideration to investing budget surpluses towards affordable/attainable housing initiatives – whether they be those within this list of options or otherwise. This would provide the County with the opportunity to invest more heavily in certain years when more funding is available, or put these surpluses into an affordable/attainable housing reserve to be used in future years when additional funding is needed for items like staffing, purchasing land for affordable/attainable housing development, increasing the package of incentives, etc.

Appendix A: What is Causing Affordability Gaps?

This section provides an overview of some of the reasons that the County and other municipalities in Ontario and Canada are seeing housing affordability gaps. This information helps to set the table for the strategic solutions and case studies evaluated in this report. While the issues causing housing gaps are complex, this section is intended to provide a high-level overview of some of the identified factors. This will include commentary on:

- Insufficient housing construction;
- Population growth;
- Changing household dynamics;
- Limited affordable and market-rate rental development;
- Restrictive planning policies and processes;
- Local opposition to new development;
- Rising construction and development costs;
- Labour and material shortages;
- Impacts of the COVID-19 pandemic; and,
- Post-secondary enrollment.

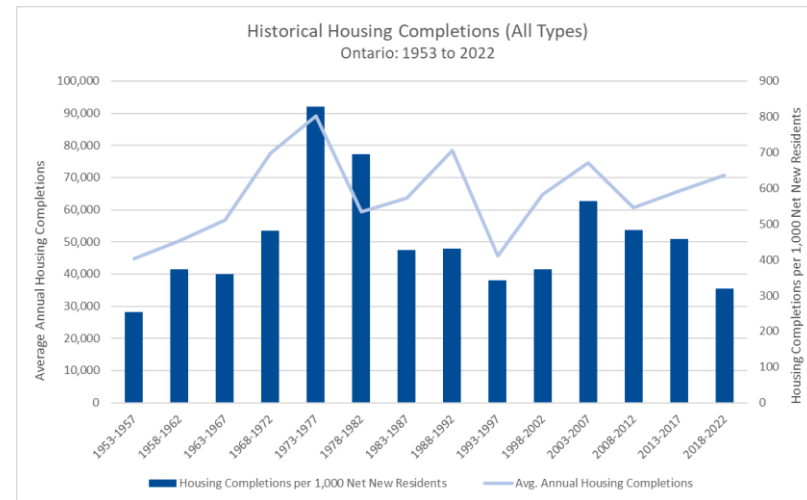
We Are Not Building Enough Housing

Arguably the biggest factor that has led to affordability gaps across Ontario and Canada is a lack of sufficient housing supply. Simply put, we are not building enough housing to meet the demand from a changing and growing population. As with any commodity, when

demand outstrips available supply, availability is reduced, and prices climb.

Figure 1 illustrates the number of housing completions per capita of new residents in Ontario over the past 70 years. Housing completions have been declining over the past 15 years, and over the past five years, construction activity on a per capita basis has been at its lowest point (319 homes per 1,000 new residents) since the mid to late-1950's (254 homes). In fact, the past five years have represented a rate of new construction activity that is less than 40% of peak activity in the mid to late-1970's.

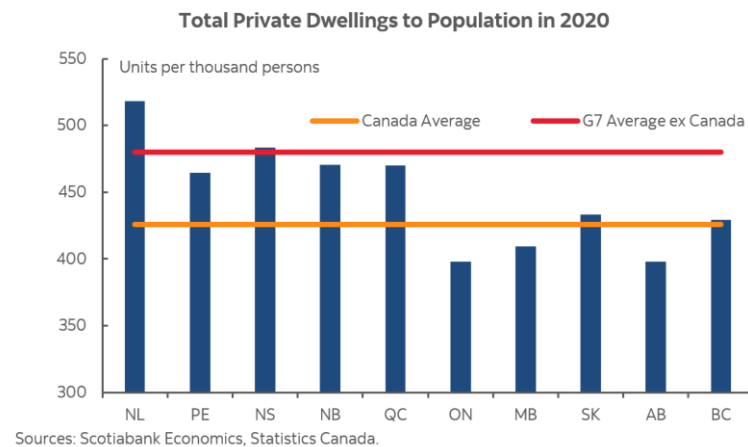
Figure 1



Source: Statistics Canada

Relative to the rest of Canada, the lack of supply is particularly acute in Ontario. As illustrated in Figure 2, the number of private dwellings per person in Ontario is lowest of all provinces in Canada, well below both the Canadian and G7 average. According to Scotiabank, Ontario would need to add about 650,000 homes to reach the Canadian per capita average.

Figure 2



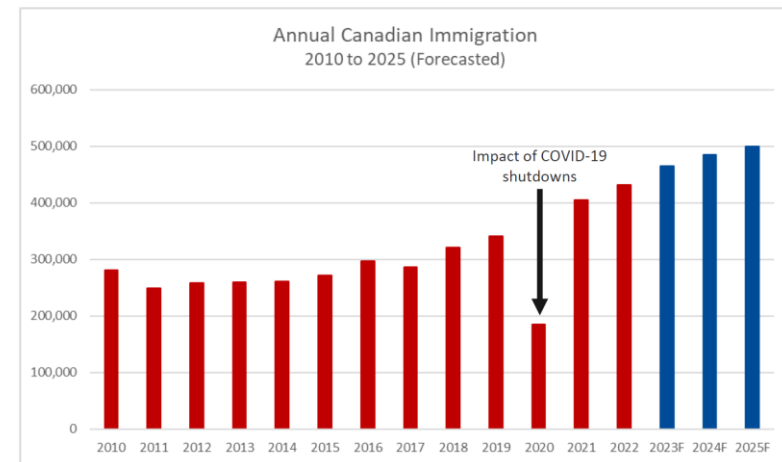
CMHC has identified a similar shortage, estimating that Canada requires an additional 3,500,000 homes (above baseline trends) by 2030 to restore housing affordability, with the vast majority being needed in Ontario and British Columbia.

Population Growth

Population growth also plays a significant role in the shortage of housing, particularly in recent years.

Canada’s immigration targets have increased in recent years and are forecasted to reach 500,000 new Canadians annually by 2025 (Figure 3). This has an obvious impact on the housing market. As the population grows, construction activity needs to grow with it. Unfortunately, for a variety of reasons – included many noted within this appendix – construction activity has not kept pace with the increasing rate of population growth.

Figure 3



Source: Statistics Canada

Household Dynamics are Changing

In addition to scarcity of housing, household dynamics are also shifting, putting a further strain on the market. There are two main causes worth noting:

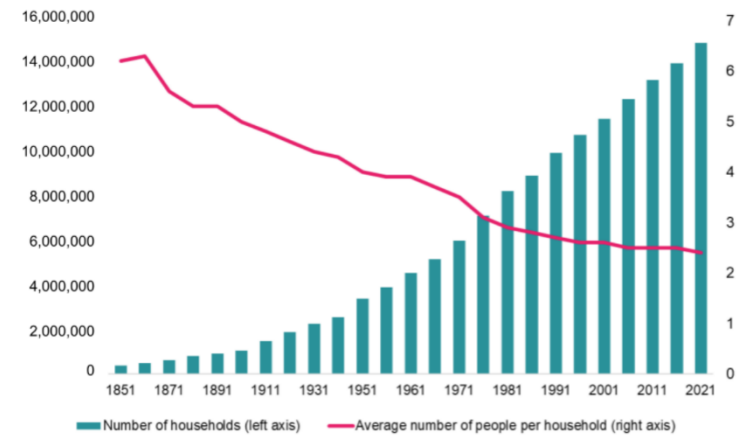
- The aging of the large Baby Boomer generation has resulted in many empty-nester households seeking to downsize; and,
- Younger adults are getting married later and having fewer children than in past decades.

These two factors have combined to reduce the average household size. As household sizes decline, more housing is needed to serve the same size population.

For example, if a population of 1,000,000 residents has an average household size of 3.0, a minimum of 333,333 homes are needed. If that average household size declines to 2.5, the same population requires a minimum of 400,000 homes. This does not include additional homes needed to service demand from post-secondary students, temporary foreign workers, and demand for secondary homes or short-term rentals, among others.

Figure 4 illustrates the long-term trend of average household sizes in Canada to 2021. The average household size of 2.43 persons in 2021 represents a significant shift from the 1950's through 1970's when average household sizes were between 3.0 and 4.0 persons, while Ontario was also building more housing per capita.

Figure 4: Average household size and total households in Canada, 1851 - 2021



Source: Statistics Canada Catalogue no. 98-316-X2021001 and 11-630-X2015008

Changing Lifestyles / Limited Downsizing Options for Seniors

The large Baby Boomer generation is now into their senior years and are healthier and living longer than past generations. This has had an impact on housing choices, with more seniors choosing to stay in their single-family homes longer, delaying the natural turnover that occurred in previous decades.

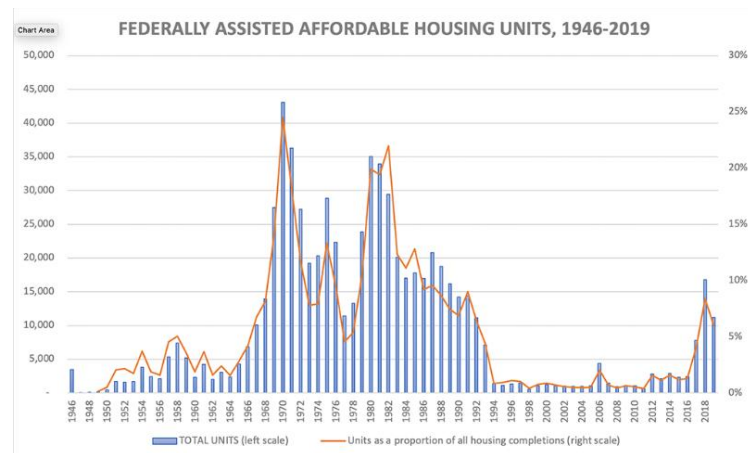
Further compounding this is that for many seniors who would like to downsize, there are few options. Outside of some select municipalities in Ontario, most residential options are low-rise, ground-oriented housing types (68% in Ontario, 77% outside Toronto), which do not meet the needs of many downsizers. At the same time, apartment development that has occurred in recent years often consist of increasingly compact units and high proportions of one-bedroom units.

Limited Affordable and Market-Rate Rental Development

The tenure of housing that is being built is also playing a role in the affordability crisis. For several decades, there has been far too little affordable and market-rate rental housing constructed – two housing types that have historically accommodated low and middle-income households.

Canada built a lot of federally-assisted affordable housing units in the 1960s through to the 1980s. Downloading of responsibilities to the provinces and then to municipalities, the end of federal funding for new social housing in the mid-1990s, and the end of social housing as a significant national policy priority all contributed to the steep decline in affordable rental housing supply (Figure 5).

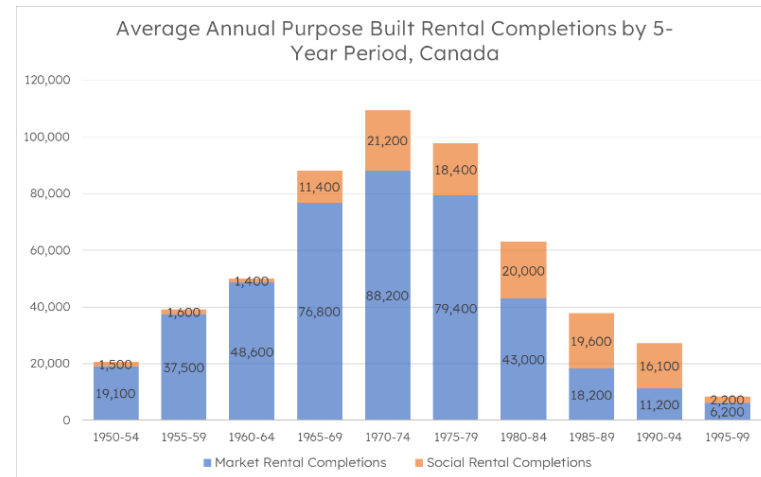
Figure 5



Source: The Tyee, “Why Can’t We Build Like It’s the 1970s?”, April 22, 2022

Construction activity has started to improve in recent years in response to initiatives borne out of the Federal government’s National Housing Strategy. However, after 25+ years of relative inaction, and widening affordability gaps, this represents just a small portion of what is needed.

Figure 6



Source: Dr. Mike P. Moffatt

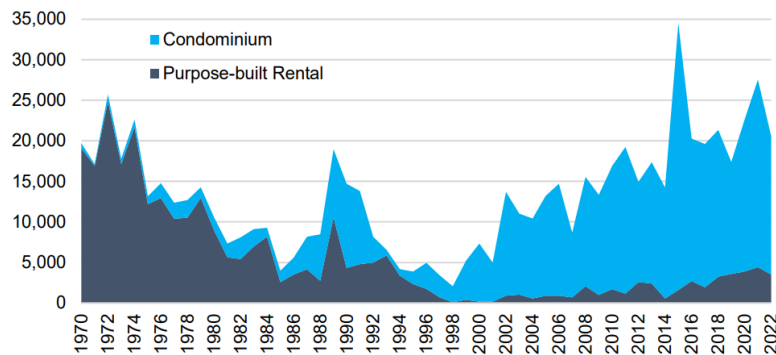
At the same time, changes were also made that impacted the attractiveness of new market-rate purpose-built rental investment. The private sector built a significant amount of new market rentals in the 1960s and 1970s (Figure 6). Policy changes since then around rent control, GST/HST, subsidies, and other measures led to a steep decline of private sector rental investment starting in the

1980’s, requiring that the growing base of renters in Canada rely on secondary rentals that do not offer the same security of tenure.

Today, rental development is plagued by high equity requirements and relatively low returns, which has led to most projects pursuing condominium tenure. Condominium projects present less risk, higher and quicker returns, and higher land values, which rental projects struggle to compete with. This is reflected in the Golden Horseshoe where condominium apartment completions have far outnumbered rental completions (Figure 7).

Figure 7

**Total Apartment Completions by Tenure
GTA: 1970 to 2022**



Source: CMHC, Urbanation

Planning Policies & Development Process

Restrictions on new development require that many developers seek amendments to zoning by-laws or Official Plans to build new housing. This delays new development and adds to the costs and risk profile of new housing development. These costs can impact project feasibility and restrict housing supply. Where demand for housing outstrips supply, these dynamics mean that developers can charge more for housing in order to maintain viability. Approval requirements from other government agencies beyond the municipality further contribute to delays.

In many municipalities, the development process has become more and more complicated. Appeals, a long list of required studies, peer reviews, public consultation requirements that can go beyond what is set out in the Planning Act, and other factors also play a role in making development process more onerous and creating an environment where it is harder to build new housing.

Restricting where new housing development can be built also creates a premium for developable land. Where few development sites exist, land values increase substantially, which creates many unintended consequences:

- High land values due to competition from developers, requiring high density and premium market positioning for projects to ‘pencil’.
- Landowners seeking planning permissions to improve the value of their land, but without near-term plans to build.

- Most development is undertaken by the larger developers who have substantial capital, expertise, resources, and political connections necessary to undertake a complicated and multi-year entitlement and construction process. These groups will always pursue high-end market positioning to maximize their investment.

Local Opposition to New Development (NIMBYism)

Residents who are passionate about their communities often speak up about what gets built and where it gets built. However, within this space, there is some extreme opposition to change and new development. The opposition by individuals or resident groups is often referred to as ‘NIMBY’ (‘not-in-my-backyard’).

The impact of opposition voices can delay new development or require compromises from the developer that can risk project feasibility and can reduce affordability. In some communities where the NIMBYism is prevalent, it may even discourage some developers from trying to build at all, with a belief that opposition to growth and change is so strong that it may not be worth the effort, time, and resources.

Restrictive planning policies help support opposition to new development, increasing the importance of reforming local land use restrictions and creating a more streamlined approvals process.

Construction and Development Costs

The cost of development has been rising. This includes both hard construction costs and soft costs (soft costs include costs such as municipal fees and charges, consultants, financing, etc.). Table 4 summarizes how hard construction costs have changed in recent years, increasing between \$80 to \$130 per square foot, or 45% to 70%, since 2019. At the same time, development charges have increased in many municipalities, and rising interest rates more recently are now also making construction more expensive.

Table 4

Change in Per Square Foot Construction Costs GTA, 2019 to 2023				
Housing Type	2019 Average	2023 Average	Change (2019 to 2023)	
Single-Detached	\$165	\$245	\$80	48%
Townhouse	\$133	\$223	\$90	68%
Stacked Townhouse	\$158	\$253	\$95	60%
6-Storey Apartment	\$188	\$283	\$95	51%
12-Storey Apartment	\$225	\$328	\$103	46%
25-Storey Apartment	\$223	\$328	\$105	47%
40-Storey Apartment	\$230	\$360	\$130	57%
Underground Parking	\$138	\$233	\$95	69%

Note: Average pricing per square foot is based on the mid-point of the range provided by Altus Group in their annual construction cost guide.
Source: Altus Group

Delays caused by restrictive planning policies, an onerous development process, and the impacts of NIMBYism also contribute to the rising cost of development in many communities.

As costs increase, developers must either pursue pricing towards the higher end of the market, or not build at all if an adequate profit cannot be achieved. Rising costs mean that most developers now compete at the upper end of the market to achieve the rate of return on investment that will be required by lenders and equity investors in a project. Historically, new housing projects were positioned towards a broader segment of the population, including middle/moderate-income groups, which was made possible by lower development costs and a strong supply of development-ready greenfield land where low-density housing could be built quickly.

These rising costs also have a significant impact on the delivery of new affordable/attainable housing. These developments are often exposed to the same costs as a market-rate project. As such, as costs increase, the required level of subsidy to fund the affordable / attainable housing increases, which impacts the scale of housing that can be delivered. Non-profits are also being affected by this issue, as rising interest rates have reduced the amount of project costs that can be financed, requiring greater upfront equity for projects to advance.

Labour and Material Shortages

Labour supply for new development is a key factor contributing to the housing shortage and may be a limiting factor in the Province reaching its own goal of 1,500,000 new homes over 10 years.

The construction industry is already short an estimated 80,000 workers across Canada according to CIBC, including shortages for

both labourers and skilled trades. A coming wave of retirements could make the problem worse over the next decade.

Job vacancies in the construction industry not only limit how much new housing can be delivered on an annual basis, but also drive up building costs, which has a trickle down effect on housing affordability, as noted throughout this section.

Material shortages – such as lumber, steel, and aggregates – while not as acute as labour shortages today, were also a significant limiting factor during the COVID-19 pandemic, contributing to the recent slowdown of new development. Alternative construction techniques such as modular housing, panelization, shipping containers, and others, could help to reduce the burden on more traditional construction from a materials and labour standpoint.

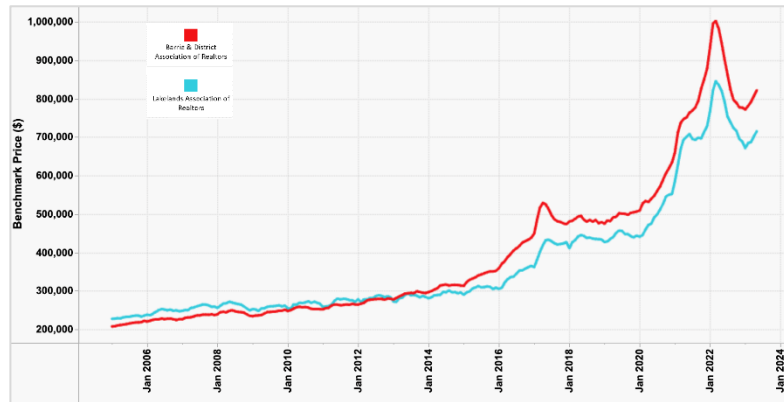
Impacts of COVID-19

The COVID-19 pandemic changed the way many people live and work, including the lifestyle and housing priorities of many households. Many took this time to leave rental apartments and smaller homes in urban centres like Toronto in favour of larger homes in communities across or outside the GTA, including Simcoe County. Since 2020, communities such as Simcoe County, as well as more modest market areas like Woodstock, London, and Kingston experienced rapid home price appreciation as demand for low-density homes and larger apartments increased.

Figure 8 illustrates the average annual benchmark resale price in the County since 2005, which follows a similar trend as most other

municipalities in Southern Ontario. Resale pricing was increasing modestly until about 2016, with rapid price appreciation occurring since the COVID-19 pandemic began (see previous discussion of the impact of COVID). Home prices have nearly doubled as a result since 2016-2017.

Figure 8: Benchmark Resale Prices in the County: 2005 to 2023



Source: Barrie & District / Lakeland Association of Realtors

Post-Secondary Enrollment Pressures

Many students require relatively affordable housing options and often have to compete in the market with low- or moderate-income households, putting a further strain on this increasingly limited segment of the market. As post-secondary enrollment increases, so too does housing demand from students.

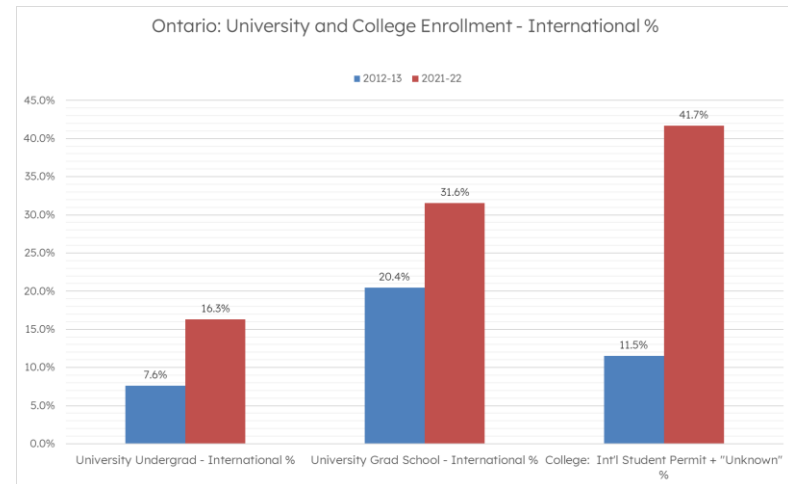
More recently, both Universities and Colleges have expanded their international enrollment – with the increase being particularly

dramatic for Colleges, about half of which in Ontario now feature a student body with 40%+ international students (Figure 9).

While many domestic students can live with family if attending school locally, international students cannot. The shift towards a higher proportion of international students has had a considerable impact on housing markets, particularly those that include Colleges within the community or surrounding area, like the County.

At the same time, these schools are not building student housing at a rate that responds to the changes in enrollment – and the housing that is built tends to be unaffordable for most students. This forces students to look elsewhere in the housing market and compete with residents for the limited supply of relatively affordable housing. This is putting significant strain on the rental market.

Figure 9



Source: Dr. Mike P. Moffatt

1.0 Social Housing Development in Canada

The four decades following the end of the Second World War was the golden era for social housing construction across Canada, stimulated by various funding programs offered by senior levels of government. However, by the end of the century, the management and funding of social housing was downloaded to local governments with the federal and provincial governments no longer playing an active role. The following provides a brief history of social housing development in Canada, with the purpose of highlighting how dedicated funding programs from senior levels of government helped stimulate the production of social housing supply.

1.1 The Early Postwar Period (1949 – 1964)

In early postwar years, the federal government played a dominant role in social housing policy which included the creation of the Central Mortgage and Housing Corporation (CMHC) in 1946. This was followed by the 1949 amendment to the National Housing Act (NHA) which created a small public housing program that provided capital financing and operating subsidies, each shared 75/25 by the federal and provincial governments, respectively. Several provinces quickly passed legislation to participate in the public housing program or enable municipalities to do so. Overall, the early postwar period produced 14,000 public housing units and 11,000 municipal and charitable Limited Dividend units across Canada – an average of 1,600 units annually over 15 years. Over half of these units were in Ontario. While social housing production during this era was only about one to two percent of the total nationwide housing production, it was enough to house one in ten of the low-income renters added each year during this period.

1.2 The Public Housing Heyday (1965 – 1973)

The mid-1960s turning point led to a ten-fold increase in the production of social housing and marked the start of three decades of active social housing policy from the federal government. The key policy changes that resulted in this increase were the 1964 amendments to the NHA, which enabled CMHC to finance 90% of project capital costs. This also included funding for provincial housing corporations, which were created at that time to efficiently deliver and manage social housing projects. These changes in social housing policy were accompanied by a significant increase in federal funding.

From 1965 to 1969, social housing production in Ontario increased rapidly from less than 1,000 units to more than 10,000 units annually. Overall, the public housing heyday period produced an annual average of 12,000 social housing units nationwide between 1965 and 1973, which were mostly delivered by provincial housing corporations. This production was enough to accommodate about half of the increase of low-income renters during this period.

It should be noted that social housing production during this period coincided with the peak of the much larger private purpose-built rental apartment boom. Private developers were building 100,000 rental apartment units annually in the 1960s, which helped shape social housing policy. In Ontario for example, the strategy was to leverage the private rental apartment boom by integrating new low-income social housing developments within the new private rental apartment tower neighbourhoods, which comprised about half of all housing production at the time.

1.3 First Non-Profit Decade (1974 – 1985)

Social housing units created during the previous two periods were 100% Rent-Geared-to-Income (RGI) and were generally referred to as the “public housing” model. However, in the early 1970s, social housing production shifted away from public housing and towards mixed-income non-profit and co-operative (co-op) housing models. The policy change that created this shift was the 1973 amendment to the NHA, which marked the federal government's re-entry into direct program delivery by enabling CMHC to provide mortgage loans for 100% of project capital costs. The goal was to encourage more housing providers to participate in the production of social housing.

This shift to mixed-income housing was part of a broader federal role in all housing sectors, which included large subsidies for private-sector rental development in an effort to increase rental supply.

Despite the federal government's re-entry, the 1970s marked an increased role by the provincial housing corporations in social housing. During the first half of this period, public housing production outpaced non-profit and co-operative housing production. However, in 1978, the federal government ceased funding for the public housing model, leading to non-profit and co-op housing becoming the most prominent approach to social housing in Canada.

1.4 Second Non-Profit Decade (1986 – 1993)

In the mid-1980s, the management of social housing programs was devolved to the provinces, marking the end of federally led social housing programs. While the federal government retained cost-sharing responsibilities and financial participation in provincially led programs, it is noted that the provinces assumed a larger share of social housing with a 60/40 federal/provincial split. The mid-1980s also marked the end of federal subsidies to other housing sectors, resulting in social housing being the sole housing sector receiving direct public funding. As cuts were made, the volume of social housing production declined to an average of 16,000 units nationwide throughout the 1986 to 1993 period.

1.5 Devolution and Retrenchment (1994 – 2001)

The mid-1990s brought an end to the three decades of active federal involvement in social housing development in Canada. The key elements in the policy shift were devolution of virtually all program management to provinces, the end of federal funding for new social housing, and the end of social

housing as a significant national policy priority. These changes happened in phases from 1993 to 1995 and were entrenched in new federal-provincial arrangements by the end of the decade. However, in December 2000, the Ontario government passed the *Social Housing Reform Act* (SHRA) which downloaded the responsibility for both administration and ongoing funding of social housing programs to local municipalities (later becoming the Housing Services Act).

The downloading of social housing responsibilities resulted in the development of an annual average of 3,200 social housing units nationwide between 1994 and 2001 – significantly lower production than the three previous periods. This is largely due to the fact that municipalities were now required to operate and manage the social housing stock, as well as taking on significant funding requirements. Coupled with a lack of funding from senior levels of government, the production of social and affordable housing stalled.

1.6 The Last Two Decades of Social Housing (2002-2023)

Until the introduction of the National Housing Strategy in 2017, investment in Social Housing stalled significantly over this period as municipalities became responsible for the management and operation of existing social housing and funding programs largely disappeared. New development was largely supported by smaller Provincial funding programs such as Ontario’s Investment in Affordable Housing (‘IAH’) fund.

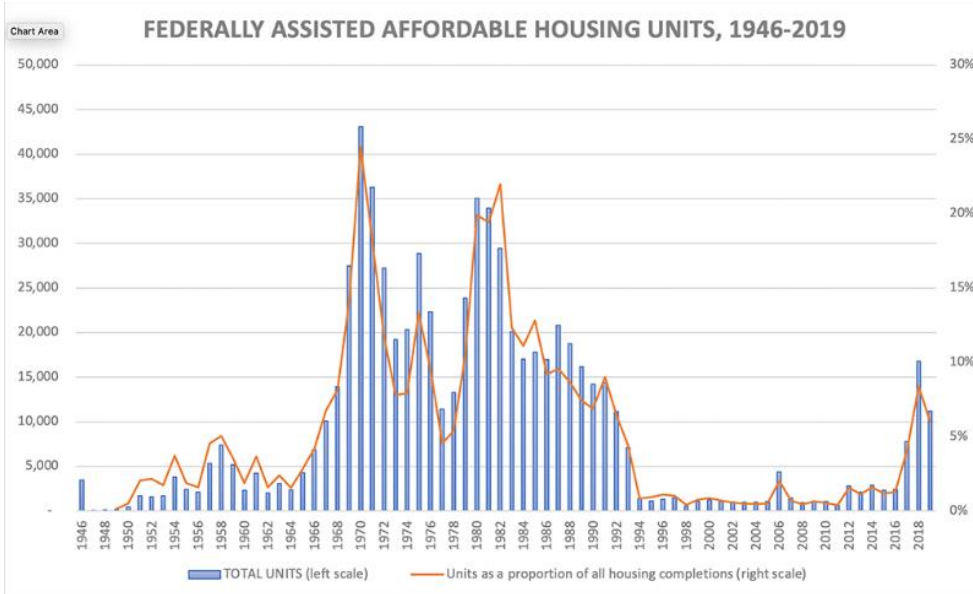
Some municipalities also began redeveloping older concentrated social housing sites that required significant capital repairs, were unpopular amongst tenants and the community at large, and often were underdeveloped and could accommodate significant intensification. Examples of such initiatives include the redevelopment of Toronto Community Housing properties such as Regent Park, Lawrence Heights, and Alexandra Park. In more recent years, smaller communities have also begun to undertake similar initiatives such as Jamesville in the City of Hamilton and Rideau Heights in the City of Kingston. Many Local Housing Corporations are also now beginning large portfolio-wide regeneration plans such as the Windsor-Essex Community Housing Corporation and Peel Living.

Often, these social housing redevelopments seek to replace the existing RGI units on the property, while increasing the supply of both moderate-affordable (e.g., 100% of the CMHC AMR) and market rate housing to create mixed-income communities.

The launch of the Federal National Housing Strategy has led to the creation of both affordable and social housing. The two programs launched under this strategy include the Rental Construction Financing Initiative that is encouraging the construction of ‘near-market’ rental housing and the Co-Investment Fund that is encouraging more affordable housing options below 80% of the CMHC AMR. While both programs offer low-cost financing and favourable lending conditions, the latter also offers capital grants.

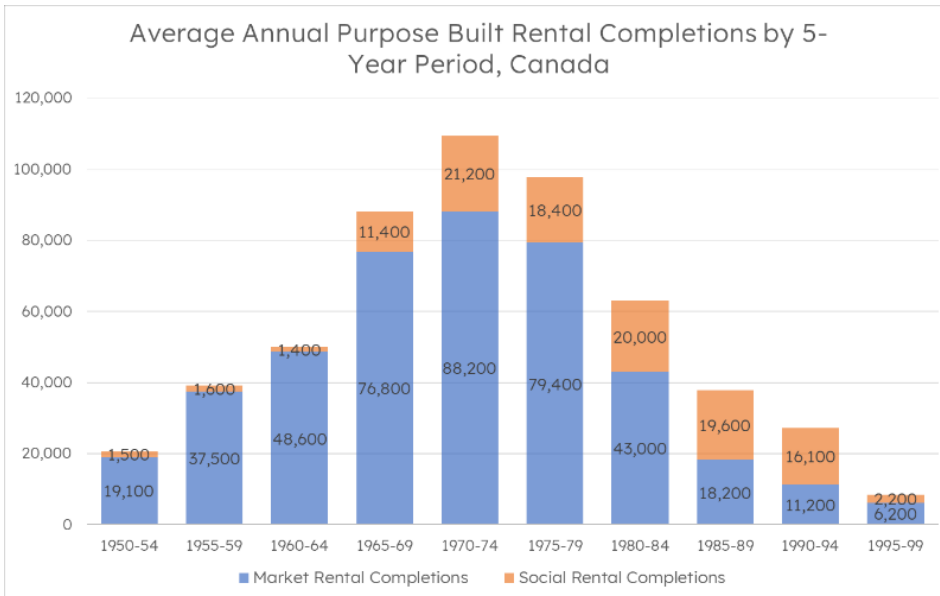
Figures 10 and 11 to follow illustrate the trends discussed throughout this case study. The core conclusion from this case study is that without significant funding dedication from senior levels of government, new social and affordable housing development will not occur.

Figure 10



Source: The Tye, "Why Can't We Build Like It's the 1970s?", April 22, 2022

Figure 11



Source: Dr. Mike P. Moffatt

2.0 Affordable Housing Incentive Programs

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 for the delivery of affordable housing. The two primary mechanisms that allow a municipality to offer financial incentives are Municipal Capital Facility By-Laws (MCFB) and Community Improvement Plans (CIP). Both a local and regional municipality can have a CIP or MCFB, and both can participate in each others program (e.g., an upper-tier CIP can include incentives from both the Regional and Local Municipality, and vice versa).

Increasingly, municipalities are using the MCFB over a CIP because the former tool is easier to implement and has greater flexibility to adjust the program over time. In recent years, single and upper-tier municipalities have been implementing affordable housing incentive programs through a MCFB, including the City of Toronto, Region of Peel, and Region of Durham. The following provides a brief overview of each program:

2.1 Toronto Open Door Affordable Housing Incentive Program

The City of Toronto's Open Door Affordable Housing program was launched in 2016 and through a MCFB. The program targets both non-profit and for-profit developers seeking to build affordable rental housing (100% AMR) for a minimum of 30-years. A minimum of 30% of a project's gross floor area must be affordable, units are encouraged to adhere to the City's Affordable Housing Design Guidelines, and units must be made available to specific income bands that are to be confirmed by the developer and reported on annually.

The City offers both relief from City fees and charges (e.g., development charges, parkland fees, planning application, property taxes, building permit, etc.) in addition to offering capital grants. All projects approved through the program generally receive the exempted fees, whereas the capital grants are allocated on a competitive basis where applicants justify their required funding and negotiate with staff. This allows flexibility to receive additional funding beyond relief from City fees and charges, which is often needed for those providing affordable housing. It is important to acknowledge that no single package of incentives will work for every project, and recognizing this the City created this flexibility that allows applicants to request the amount of funding they require.

Unlike most incentive programs, applications occur over a pre-determined period every year where all funding is allocated through an 'application window' that is generally held constant every year. Whereas many other CIPs typically allow an application to be submitted at any time and approval is offered on a first come first serve basis.

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.

The City of Toronto was not meeting their affordable housing targets and implemented Open Door to address this issue. Since the annual proposal call began in 2017, the City has been able to leverage well over 800 - 1,000 affordable rental units (100% AMR or below) 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, funding already secured, and many others.

2.2 Region of Peel and Durham Affordable Rental Incentive Program

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 MCFB, which was selected due to the ease of implementation and modification relative to a CIP.

Unlike many CIPs, the Region of Peel does not offer relief from municipal fees and charges, but rather created a budget of \$7.5M that is allocated through capital grants on a competitive basis through a defined application window that is expected to occur annually. Like the City of Toronto's program, applicants are expected to submit proformas that justify the level of subsidy needed for the project to advance, which is further negotiated with staff during the application review process. Applications are reviewed against the financial subsidy requested as well as a set of preferred criteria.

The program targets moderately-affordable rental housing at 135% AMR, requires a larger proportion of 2 and 3-bedroom units, must be affordable for 25 years, and can include both market and affordable units through mixed-income buildings. Deeper and longer affordability is also encouraged, which would require higher subsidy amounts.

In the first year of the program, \$7.48M was allocated to three separate projects to create a total of 130 affordable rental units (~\$60,000 per unit). The second round is currently underway with a budget of \$10M. It is noted that the program budget 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 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 at 80% AMR or below). 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.

Of note, the Region of Durham recently launched their own program, which is very similar to the Peel incentive structure. Durham is providing a total capital grant of \$7.5M, but are seeking deeper affordability at 100% AMR. The defined application window, allocation of grants on a competitive basis, requirement for applicants to justify their level of required subsidy, and overall structure is similar to Peel's program. In the first year, Durham Region allocated a total of \$7.45 million that resulted in the creation of 88 affordable rental units (average of \$85,500 per unit). This included \$5.5M to Riverbank Homes to construct a six-storey and 75-unit affordable rental building in Oshawa that is 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.

2.3 Key Findings

Overall, we are seeing that almost every incentive program in Ontario, both at the municipal and from upper-levels of government, focus on affordable rental housing at various depths of affordability. As explored in the accompanying reports, we also acknowledge that subsidies, free land, and other similar strategies are needed to encourage market-rate rental housing and affordable ownership.

It is also apparent that a Regional approach to affordable housing incentive programming can be highly effective. It is ideal for a single program to exist, rather than separate programs at the upper- and lower-municipal level that would require a developer to apply to two separate programs, which are likely to have different requirements. This would also increase the risk for groups seeking to secure funding. Rather, a Regional program that includes incentives from the local municipalities would be highly beneficial.

Finally, while the structure of the incentive program in Toronto, Peel, and Durham offer flexibility for applicants to request the funding amount they require, this also requires significant resources from

the municipality to evaluate and negotiate with developers on proformas and development economics. Other structures can also be pursued if resources are limited, such as:

- Understanding that flexibility is ideal, a municipality can instead offer relief from fee and charges in exchange for targeted housing outcomes (e.g., rental product is exempt from development charges, planning application fees, etc.). These incentives would therefore be a piece of the puzzle, but might not result in viable outcomes on its own. See Section 3.1 of this report for further discussion.

3.0 Leveraging Public Land to Deliver Affordable Housing

In addition to direct financial incentives, municipalities have also used their land to secure affordable housing. Like financial subsidies, offering land at below market value in exchange for affordable housing can be a significant incentive that results in the creation of new housing. Land can be sold directly to the private or non-profit sector, or the municipality can construct new affordable housing on these sites themselves. The following examples provide three different scenarios where this process has been undertaken successfully:

3.1 City of Toronto Housing Now Program

The City of Toronto's Housing Now Program is the first large scale public land initiative in Ontario. The program, which launched in 2019, was supported by a City-wide portfolio review of surplus municipal properties that could be appropriate for new housing development. The following provides a brief overview of how the City of Toronto uses this program to leverage publicly owned land for the delivery of affordable housing:

- Through the Housing Now program, the City provides 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 a modest land value and affordable housing.
- The level of due diligence completed on behalf of the City (e.g., rezoning, site plan, affordability requirements, secured incentives, etc.) allows them to provide a greater level of certainty to the development community, which improves the value they are willing to pay for the land and also ensures that the social outcomes are best positioned to be successfully delivered.

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. Since this time, Phases 2 and 3 added an additional ten sites, which are expected to yield an additional 3,000 homes, 1,000 of which are expected to be affordable rental.

3.2 Surplus Lands

The City of Toronto's Housing Now Program is unique in that all institutional lands deemed surplus and appropriate for new housing development are funneled into the formal land program for

disposition to the private sector. However, municipalities across Canada have implemented a similar process when an appropriate property is deemed surplus on an ad hoc basis.

The following provides two case studies where the municipality acquired a surplus school with the intent of redeveloping it for affordable housing.

3.2.1 *Orillia District Collegiate and Vocational Institute, Orillia*

The former Orillia District Collegiate and Vocational Institute (ODCVI) was declared surplus in 2016 after serving the local community for over a century. The County of Simcoe purchased the site in 2018 with the intent to transform it into a regional community hub combining social services and affordable housing under one roof.

The original structure has been now demolished, and the new 216,000 square foot (sq. ft.) facility is expected to be completed in 2023. The hub will include 130 mixed affordable units (geared towards families, seniors and individuals) capped at 80% of the CMHC Average Market Rent ('AMR') and 60,000 square feet of commercial space. Of the 130 total units, 46 will be multi-bedroom and 86 will be studios and one-bedroom units. The project also sets aside some of the land for future development.

Figure 12 - Proposed County Orillia Campus



The project is expected to cost \$79 million, with \$57 million for affordable housing and \$22 million for the community space. Funding for the project comes directly or indirectly from all levels of government including the City of Orillia, County of Simcoe, and the federal and provincial government through the Ontario Priorities Housing Initiative. A combination of quality building material and practices will help ensure the project is operationally sustainable with no additional

capital investment required over the next 50 years (i.e., no ongoing capital or operating subsidy is required).

The project aligns with the County’s 10-Year Affordable Housing and Homelessness Prevention Strategy and helps achieve a significant portion of the affordable housing targets identified through the strategy. It also achieves the intent of the City of Orillia’s Housing Action Plan that identified the need to increase the city’s rental supply.

On the continuum of little to full government involvement in surplus school redevelopment, this project is an example of a publicly funded and executed project, developed in alignment with identified municipal needs and targets.

3.2.2 *Ritson Public School, Oshawa*

After closing its doors in 2012, Ritson Public school remained vacant for several years. The building was occasionally used for police training until Durham Region purchased the site in January 2022 for \$7.49 million.

Figure 13 - Ritson Public School Site



Durham Region is currently working on a master plan for the property with the aim to maximize the use of the existing building and surrounding lands. Preliminary plans estimate over 100 new affordable units on the site. The site will require new planning entitlements and will undergo an extensive public consultation process. Given the site’s location within an established low-density community, density and scale are likely to be limited. On the other hand, the site is in proximity to a future GO station, which could create intensification opportunities.

The Region has been evaluating the property for some time before it became available, but no formal site assessment was undertaken prior to the purchase. Like many other GTA municipalities, the Durham School Board seeks full market value for its surplus properties, making affordable housing or community uses financially unviable on these sites. However, due to the heritage designation of

the school and a potential need for brownfield remediation, the Ritson site had limited development potential from a private-market perspective. The Region took an opportunistic approach when it acquired the site with no firm plans or timeline for future redevelopment. A public consultation process will begin in 2023 as the first step in development concept design. The Region hopes to sever the property into development blocks that can be turned over to non-profit housing providers potentially with for-profit development partners.

3.2.3 *Jamesville Social Housing Regeneration Initiative, Hamilton*

Many municipalities are also looking at their existing social housing properties and seeking ways to regenerate sites that require extensive capital repairs, are unpopular with tenants and the community, and can accommodate significant intensification.

In addition to the large-scale regeneration efforts occurring at Toronto Community Housing Sites like Regent Park, other municipalities are also investigating similar efforts. The City of Hamilton for example has recently begun redevelopment efforts at their Jamesville property in the City’s West Harbour neighbourhood.

Figure 14 - Proposed Jamesville Social Housing Revitalization



Source: SvN Planners + Architects and NBLC

The 91-unit Jamesville townhome complex is entirely Rent-Geared-to-Income (“RGI”) and is not popular with residents and needs a significant capital investment, which has driven the recommendation to revitalize the site. Given the improving real estate market in the City, CHH offered the land to a private developer partner who will redevelop a mixed-income community using revenue from market housing to subsidize the RGI units. In total, 447-units will be developed, which

will include the replacement of the 91 RGI units in addition to 70 affordable rental units. The RGI units would revert to Community Housing Hamilton management once the development is complete. A Request for Proposals (RFP) was issued in September 2019 and we understand that a preferred proponent was selected through this process, but an appeal to the OLT by CN Rail has delayed the project advancing.

As identified through this case study, there are many avenues a municipality can follow to use public lands for new affordable housing. This can include creating a formal land program like the City of Toronto's Housing Now Program, regenerating existing social housing sites, using surplus lands on an ad hoc basis as they become available, and also requiring new housing above any new institutional use (e.g., library, parking lot, school, etc.).

4.0 Improving the Feasibility for New Rental Housing

Ontario, and Canada broadly, needs expanded rental housing supply. While demand has been elevated for nearly a decade, the supply of new rental housing has largely been filled by the private investor market (i.e., investor owned condominiums that are rented out), rather than new purpose-built rental housing.

New purpose-built rental housing is challenging to deliver for several interrelated factors, which ultimately boils down to the fact that condominium buildings provide a better financial return. Condominium buildings provide a strong return on investment over a short period of time, where a developer pre-sells at least 70% of units during pre-construction, which allows them to collect 20% worth of deposits over the entitlement and construction period. This process allows developers to collect revenue during this period, reducing their up-front equity requirements, and then finish construction and collect the remaining sale values.

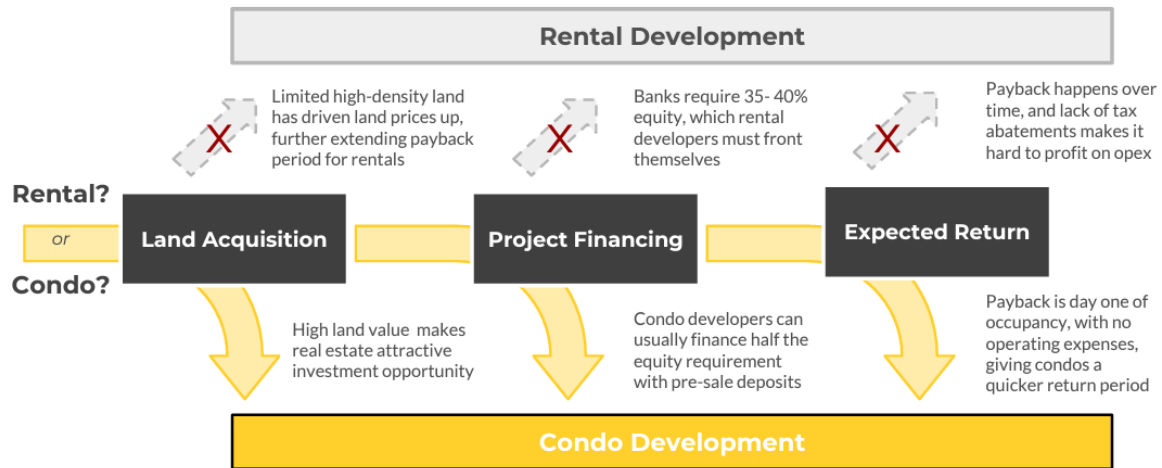
Rental housing on the other hand faces more substantial financial challenges relative to condo. There are no pre-sales, meaning the developer will not collect any revenue until the building is fully completed and occupied, which can take many years to complete. Because there is no revenue during entitlement and construction, more up-front equity is required, which adds more costs and risk to the project. Once completed, a rental building also does not sell the units to produce a profit, but rather the building produces a cash flow that earns the developer a smaller return over a long period of time. Various rates of return (e.g., Internal Rate of Return, Return on Costs, Return on Equity) are then used to gauge the performance of the project. Rental projects must also pay HST upon project completion, even though no sale occurs to individual owners (referred to as deemed disposition).

In addition to achieving smaller returns over a longer period of time, rental buildings also generate lower land values than condominium projects, making it challenging for rental builders to compete in the market when acquiring land. This often results in rental housing occurring on sites that have been owned for a longer period of time and/or by commercial developers interested in securing a cash flow (e.g., RIETS, owners of older commercial sites, etc.). Often, low-cost financing and funding through the National Housing Strategy also plays a role.

The following figure explores some of this nuance¹:

¹<https://www.evergreen.ca/tools-publications/getting-to-8000-building-a-healthier-rental-market-for-the-toronto-area/>

Figure 15: Exploration of Rental vs Condominium Development (source: Sidewalk Labs Whitepaper on Toronto Rental Market, Evergreen)



Building off of this discussion, BILD, together with the Federation of Rental Housing Providers in Ontario, Finnegan Marshall, and UrbanNation released a whitepaper discussing ‘Purpose-Built Rental Housing in the GTA’². This report discusses many of the items identified above, as well as producing proforma to illustrate the financial performance of a condominium and rental project in Toronto and Mississauga to illustrate the types of reforms necessary for projects to advance.

Unsurprisingly, this report highlights that in both an urban and suburban setting, purpose-built rental projects are significantly less financially attractive than condominium development due to differences in upfront capital investments and the differences in timeframes required to reach profitability (Figure 16). The report provides several recommendations for all levels of government to help shift the regulatory and financial disadvantage that rental projects currently face:

- **Municipal Government:**
 - align property taxes for PBR with condos/low-rise;
 - reduce/waive development charges, parkland dedication requirements and/or planning and building application fees;
 - modernize PBR zoning by ensuring that by-laws are up-to-date with increased height and density; and
 - accelerate approval timelines for PBR.

² <https://www.bildgta.ca/building-industry-and-rental-housing-providers-call-for-increased-focus-on-purpose-built-rentals/>

- Provincial Government:
 - Continue implementing the recommendations brought forward through the Housing Affordability Task Force;
 - Acknowledgement of recent reductions of municipal fee/charges for new rental housing through Bills 109 and 23;
 - Setting uniform standards for planning review across the Province;
 - Legislate delegated authority to staff for new rental projects (as oppose to Council approval).
- Provincial and Federal Government:
 - Deferring or eliminating the payment of HST for new rental housing;
 - Adjusting the HST rebate to align with current market values;
 - Introducing an income tax write-off similar to the MURB program that resulted in significant rental housing investment in the 1970s.

These suggested changes are all meant to reduce the costs of building new rental housing, which will improve feasibility and level the playing field with condominium developers. While municipalities have a role to play, the suggested changes from senior levels of government will play a substantial role in shifting the financial context that currently limits new purpose built rental housing investment.

A similar study was completed by the Canadian Alliance to End Homelessness that focused on the Federal government. In addition to the suggestions from the BILD report, this study also recommends the federal government invest in the labour supply needed to increase Canada's rental supply, provide low-cost financing for market and affordable rental housing beyond current National Housing Strategy programs, invest in innovative building technologies and forms and make appropriate amendments to the building code, and other similar recommendations.

Figure 16: Purpose Built Rental Economics vs. Condominium (Source: BILD Whitepaper)

SAMPLE SITE TORONTO, ON 400 UNIT RESIDENTIAL				
	A	B-A	B	
<u>EXECUTIVE SUMMARY</u>	CONDO BUDGET	VARIANCE	RENTAL BUDGET	
PROJECTED REVENUE	357,907,225	(108,854,919)	249,052,306	
PROJECT BUDGET	318,135,000	(3,420,000)	314,715,000	
PROJECTED PROFIT	39,772,225	(105,434,919)	(65,662,694)	
PROFIT % BUDGET	12.50%	-33.37%	-20.86%	
TRENDED NOI			\$9,962,092	
TRENDED YIELD			3.17%	

SAMPLE SITE MISSISSAUGA, ON 400 UNIT RESIDENTIAL				
	A	B-A	B	
<u>EXECUTIVE SUMMARY</u>	CONDO BUDGET	VARIANCE	RENTAL BUDGET	
PROJECTED REVENUE	309,545,002	(118,069,633)	191,475,369	
PROJECT BUDGET	275,150,000	(3,925,000)	271,225,000	
PROJECTED PROFIT	34,395,002	(114,144,633)	(79,749,631)	
PROFIT % BUDGET	12.50%	-41.90%	-29.40%	
TRENDED NOI			\$7,659,015	
TRENDED YIELD			2.82%	

5.0 Preserving Rental Supply

The loss of older and more affordable rental supply is a common challenge across the Province due to several reasons, such as:

- Property owners may tear down their rental building if capital repairs are too onerous and renovation does not make economic sense.
- Given the rapid appreciation of rental rates in recent years, some property owners may invest heavily in their building in order to increase rents at tenant turnover.
- Building off the above, many older buildings are being purchased by RIETs and other investment groups, where these assets are often renovated and rents increased substantially.

From an economic perspective, an abundant supply of rental housing is the best tactic for limiting the loss of older rental housing. An abundant supply reduces rent growth and the pressure to acquire and renovate existing rental buildings. In the absence of abundant supply, the following are tools others have used to combat some of this pressure.

5.1.1 *Rental Replacement By-Laws*

The Municipal Act authorizes municipalities to enact by-laws regulating the demolition of multi-unit residential rental properties, or the conversion of such rental properties to other uses such as a residential condominium.

Both the Cities of Toronto and Mississauga have a rental replacement by-law, which require that any property with more than five rental homes be completely replaced within any new development. Replacement means that the same number of units be replaced and rented at a similar rate (subject to adjustments over the development period). Often, affected tenants must also be consulted with and be provided an approved relocation plan during demolition and construction.

Rental replacement by-laws ultimately have two impacts. They are either onerous and therefore prevent the redevelopment of older apartment buildings because the economics of replacing the affordable units do not result in a feasible project. Or, the economics align and the existing rental conditions are replaced in a new building.

5.1.2 *Supporting Non-Profit Acquisition of Older Rental Housing*

Municipalities can also support local non-profit organizations to acquire older rental housing.

The Union, a non-profit in Kitchener, recently acquired two older apartment buildings in the City that would otherwise have been acquired by a RIET or other private investment company³. Through charitable donations, municipal funding support (property tax break), and financing through CMHC and Vancity Community Investment Bank, the non-profit was able to compete with private actors to acquire the buildings. The Union intends to keep all units affordable and work with local organizations to find new tenants who are most in need, which was made possible by the City's incentives.

Funding and empowering local non-profits is a unique solution to the loss of older and affordable rental supply. While many incentive programs focus solely on the development of new housing, the preservation of existing housing is also an important objective. Other municipalities have also offered funding to renovate older apartment buildings with requirements that affordability be maintained over the longer-term, which is also available through the Co-Investment Fund Repair and Renewal Stream. A critique of rental replacement policies is that they prevent old rental housing from being redeveloped, which are also subject to rent control that can limit renovation and investment in these older structures. Incentives to encourage reinvestment, while also keeping rents low, can be highly effective to address these issues.

³ https://www.therecord.com/news/waterloo-region/permanent-affordable-housing-this-grassroots-co-operative-just-bought-58-units-in-kitchener/article_cbee6eb1-9710-53cf-9ae7-6b3a0f958a08.html

6.0 Zoning/Policy Reform

6.1 Zoning Reforms to Allow Missing Middle Housing

Many cities across North America and abroad that have been grappling with rising housing costs due to shortages of new housing supply have started to address this issue through large-scale zoning reforms to allow for “missing middle” housing types. This approach is also referred to as “upzoning” which is the practice of modifying land use regulations, such as eliminating single-family zoning, to allow for more multi-family housing types within existing low-rise neighbourhoods. Single-family zoning regulations, also referred to as “exclusionary zoning”, are typically overly restrictive and limit the types of housing that can be built. For instance, across many American and Canadian cities, it is illegal to build anything other than a detached single-family home on roughly 75% of the residential land area.⁴ These restrictive zoning regulations artificially constrain new housing supply, which leads more people to compete for fewer homes, thereby driving up home prices and rents.

In recent years, many jurisdictions have implemented zoning reforms that have eliminated exclusionary zoning. This includes Minneapolis, which became the first American city to abolish single-family zoning by allowing duplexes and triplexes as-of-right wherever single-family homes are allowed.⁵ However, one criticism of Minneapolis’ zoning reform is that it only slightly modified additional regulations that constrain how large the permitted duplexes and triplexes can be. While Minneapolis’ zoning reforms do allow for modest increases in building size for duplexes and triplexes in some zoning districts or under certain conditions, these buildings are still generally required to fit within the same “envelope” as the single-family homes they replace, limiting how much floor area new developments can have.⁶

In 2019, Oregon made history by being the first state to adopt statewide legislation to end single-family zoning. The new legislation, passed under *House Bill 2001*, mandates cities with more than 25,000 residents to legalize duplexes, triplexes, fourplexes, and “cottage clusters” on all parcels that are currently reserved for single-family homes. Cities of at least 10,000 residents are mandated to allow duplexes in single-family zones.

In January 2023, the City of Victoria approved new zoning regulations to allow multiplexes containing up to six units on most average residential lots. The City of Toronto followed suit in May 2023 by adopting Official Plan and Zoning By-law Amendments to permit multiplexes containing up to four units in all residential areas.

⁴ <https://www.nytimes.com/interactive/2019/06/18/upshot/cities-across-america-question-single-family-zoning.html>

⁵ Minneapolis 2040 Plan – approved in 2018 and implemented in 2020

⁶ <https://reason.com/2022/05/11/eliminating-single-family-zoning-isnt-the-reason-minneapolis-is-a-yimby-success-story/>

While the North American zoning reforms outlined above mark an end to exclusionary zoning practices, these examples are still too recent to conclude whether upzoning has resulted in a direct increase in housing supply. However, in Auckland, New Zealand, upzoning reforms were implemented over six years ago, which provides relevant data and information on how upzoning stimulated new housing supply.

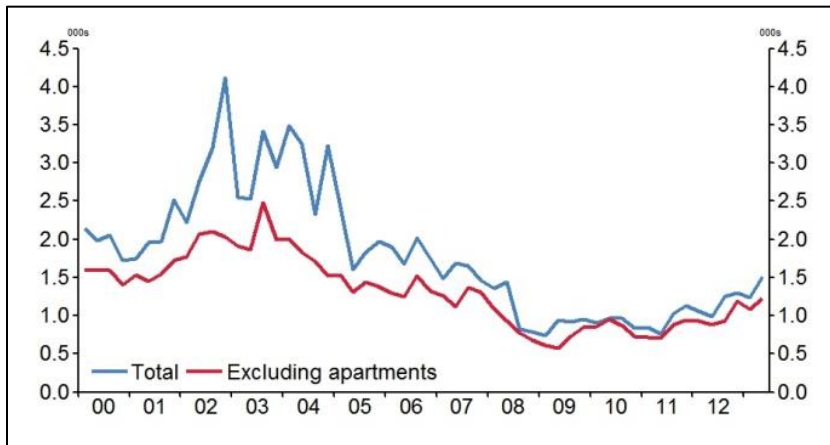
6.1.1 Upzoning in Auckland, New Zealand

Rapid Population Growth Outpaced New Housing Supply

Between 1991 and 2013, Auckland’s urban population increased by approximately 430,000 people, representing a growth rate of just under 50% during this period.⁷ While a significant number of new homes were built in Auckland between 1991 and 2004, the rate of new housing construction slowed dramatically in 2005 and remained low throughout the following years as shown in Figure 17. By 2013, there was an estimated shortage of 20,000 to 30,000 homes in Auckland.⁸ Population forecasts at the time estimated that Auckland would continue growing by approximately 1 million residents over the 30-year period between 2013 to 2043, translating to a housing need of approximately 400,000 additional homes.⁹

With population growth outpacing new housing supply, home prices in Auckland roughly doubled between 2009 and 2016, leading to Auckland’s housing market being ranked among the most unaffordable in the world at the time.¹⁰

Figure 17: New Building Consents (Permits) in Auckland



Source: Statistics New Zealand

⁷ Goodyear, R & Fabian, A (2014). Housing in Auckland: Trends in housing from the Census of Population and Dwellings 1991 to 2013.

⁸ Trends in the New Zealand housing market – <https://www.rbnz.govt.nz/hub/publications/speech/2013/speech2013-10-15>

⁹ Residential Developable Capacity for Auckland <https://s3.amazonaws.com/s3.documentcloud.org/documents/2178314/013-expert-conference-outcome-report-residential.pdf>

¹⁰ Greenaway-McGrevy, R., Pacheco, G., & Sorensen, K. (2021). The effect of upzoning on house prices and redevelopment premiums in Auckland, New Zealand.

Establishment of Auckland Council

Prior to 2010, the greater Auckland metropolitan area was comprised of seven local councils and one regional council, with all seven local authorities having different land use planning regulations. In order to have a unified regional approach to housing, transportation, and environmental infrastructure, the New Zealand central government established a Royal Commission on Auckland's governance structure, which resulted in the amalgamation of Auckland's local authorities in 2010. Since then, the Auckland metropolitan area has been under the jurisdiction of a single local government known as "Auckland Council".

As part of the amalgamation, special legislation was also passed by New Zealand's central government which required Auckland Council to develop a consistent set of planning regulations for the entire region. This set of planning regulations is embodied in the Auckland Unitary Plan ("AUP").

Auckland Unitary Plan

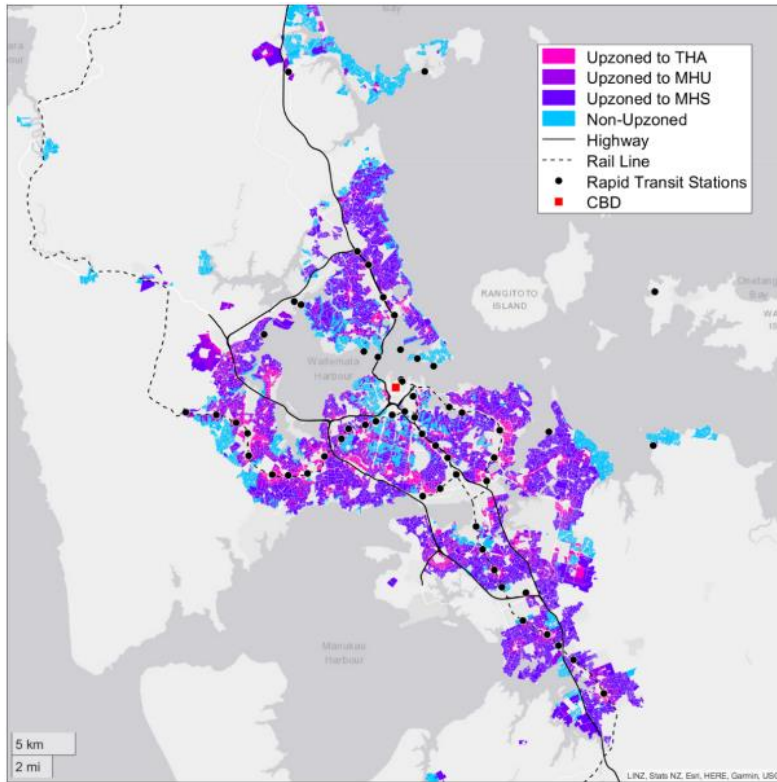
In 2016, Auckland Council implemented large-scale zoning reforms under the Auckland Unitary Plan that not only eliminated single-family-only zoning, but also relaxed height and density permissions on approximately three-quarters of its residential land area.

Much of this upzoning was introduced through the following three new zoning categories, which are shown in Figure 18.

- Terrace Housing and Apartments (THA)
 - Permitted maximum height: 5 storeys
 - Permitted maximum site coverage: 50%
 - Permitted maximum dwellings per site: does not apply
- Mixed Housing Urban (MHU)
 - Permitted maximum height: 3 storeys
 - Permitted maximum site coverage: 45%
 - Permitted maximum dwellings per site: 3 units
- Mixed Housing Suburban (MHS)
 - Permitted maximum height: 2 storeys
 - Permitted maximum site coverage: 40%
 - Permitted maximum dwellings per site: 3 units

Although motivated by a variety of factors, the goal of the upzoning reforms within the AUP was to increase the production of multi-family housing and slow or stop rapidly rising housing prices in Auckland.

Figure 18: Upzoned Areas Under the AUP



Source: Greenaway-McGrevy, 2023

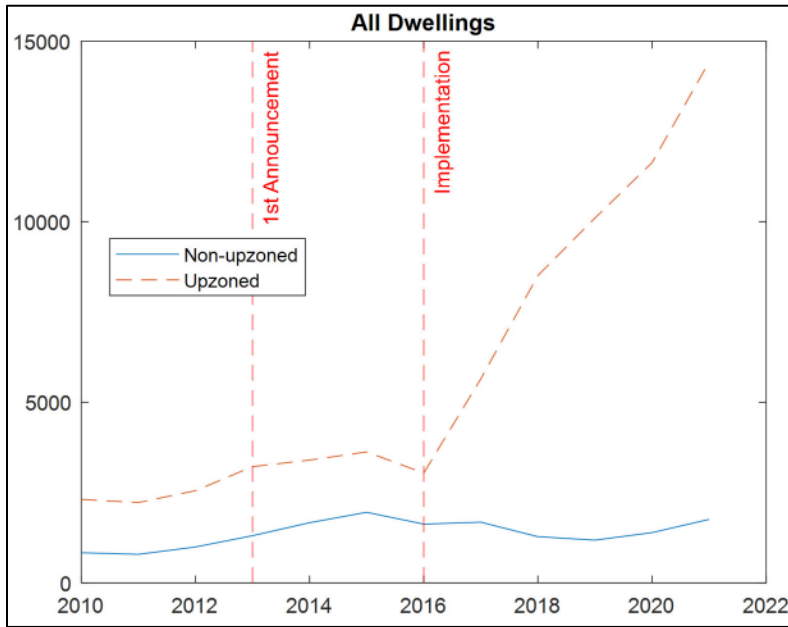
Upzoning Increased Housing Construction

A recent academic study titled *The Impact of Upzoning on Housing Construction in Auckland* (Greenaway-McGrevy and Philips, 2022) shows that the AUP was associated with a significant increase in new housing permits being issued since its implementation. As shown in Figure 19, new housing permits have increased every year since the AUP was enacted, increasing from approximately 6,000 permits in 2015 to 14,300 permits in 2020, with all building permits being issued within Auckland’s upzoned areas.¹¹ According to this study, building permits for 26,903 additional residential units have been issued as a direct result of the AUP policies over the first five years since the AUP’s implementation.¹²

¹¹ New Zealand’s bipartisan housing reforms offer a model to other countries – <https://www.brookings.edu/blog/the-avenue/2022/01/24/new-zealands-bipartisan-housing-reforms-offer-a-model-to-other-countries/>

¹² Greenaway-McGrevy, R., & Phillips, P. C. (2022). *The Impact of Upzoning on Housing Construction in Auckland*.

Figure 19: Dwelling Consents, 2010 to 2021



Source: Greenaway-McGrevy & Phillips (2022)

Subsequent Zoning Reforms

The success of upzoning in Auckland provided the blueprint for more recent national zoning reforms. In 2020, New Zealand’s central government issued the *National Policy Statement on Urban Development*, which requires large cities to permit residential buildings of at least six storeys within walking distances from city centres and rapid transit stops. This was then followed by the introduction of the *Medium Density Residential Standard* in 2021, which requires large cities to implement as-of-right permissions that permit residential buildings of up to three-storeys with three units on each site.¹³

Housing Affordability

An academic study titled *The Effect of Upzoning on House Prices and Redevelopment Premiums in Auckland, New Zealand* (Greenaway-McGrevy, Pacheco, and Sorensen, 2020) found that upzoning had an immediate impact on land values, with underdeveloped properties (such as single-detached homes on a large lots) increasing in value by an average of 25% due to the improved development potential of these properties. This is to be expected when the development potential of a property increases as developers are willing to pay a premium for sites that can be redeveloped beyond their current use. As such, relying on sales pricing could distort the findings that upzoning may have on

¹³ Auckland’s changing planning rules - what you need to know (2022) – <https://ourauckland.aucklandcouncil.govt.nz/news/2022/08/auckland-s-changing-planning-rules-what-you-need-to-know/>

housing affordability in the short term. Notwithstanding the higher land value, these homes are often replaced with lower cost multi-family homes.

In order to estimate the impact of upzoning on housing affordability, a recent working paper titled *Can Zoning Reform Reduce Housing Costs? Evidence from Rents in Auckland* (Greenaway-McGrevy, 2023) focuses on rental rates rather than purchase price. The study found that upzoning had improved affordability for family-sized rental units in Auckland. Utilizing a “synthetic control” counterfactual approach, the author concluded that six years after the upzoning was fully implemented, rents for three-bedroom units are 22% to 35% less than those of the synthetic control, with rents for two-bedroom units being 14% to 22% less than those in the comparison group. The findings of the working paper suggest that the cost of renting a three-bedroom unit would have been 28% to 54% higher in 2022 if Auckland had not implemented the upzoning reforms. The study found a smaller effect on two bedroom units, for which rental costs would have been between 16% and 28% higher.

6.1.2 *City of Toronto – Expanding Housing Options in Neighbourhoods*

As noted above, the City of Toronto recently adopted Official Plan and Zoning By-law Amendments to permit multiplexes and rooming houses containing up to four units in all residential areas. These amendments were facilitated by a study on expanding multiplex housing permissions, which is one component of the broader Expanding Housing Options in Neighbourhoods (“EHON”) initiative. The EHON initiative began in July 2019 as a City Council request to expand opportunities for “missing middle” housing forms across the City’s residential neighbourhoods.

One of the driving factors behind the EHON initiative has been that many of the City’s existing neighbourhoods have been experiencing population decline in recent years, which has resulted in underutilized infrastructure in some areas. Shrinking family sizes and changing demographics have meant that some neighbourhoods have services and infrastructure meant to serve more people.

Another component of the EHON initiative includes a Major Street study that is exploring opportunities to allow for gentle intensification in the form of four to six-storey walk-up apartments within certain portions of neighbourhoods that directly abut *Major Streets* as identified in the City’s Official Plan. *Major Streets* are transportation corridors which support surface transportation, shipping and delivery routes, and provide connectivity across the city. A final recommendations report with proposed Official Plan and Zoning By-law Amendments is expected for Q4 2023.

6.2 Vancouver’s Rental Only Zoning

In 2018, the British Columbia provincial government amended its land use framework to allow local governments to zone for rental housing. Under this legislation, municipalities can either zone undeveloped land for rental housing, mandate a certain percentage of units on any piece of undeveloped property to be rental, or force existing rental properties to remain as rental-only after

redevelopment. This can be applied at different geographical scales (e.g., entire blocks, lots, or individual buildings), but is limited to locations where multi-family residential uses are permitted.

In December 2021, Vancouver City Council leveraged the new BC legislation by allowing rental apartment buildings of up to six storeys along major arterial streets as-of-right under the new Secured Rental Policy (“SRP”). The new policy applies to “C-2 zones” which are areas that permit four-storey, mixed-use residential and commercial developments. However, developers have long favoured new condominium apartment development over purpose-built rental projects in these areas. While the tool is referred to as “rental-only zoning”, it does not function as rental only in this case as four-storey condominium apartment buildings would still be allowed in these C-2 zones. Instead, this tool would function as an incentive by empowering the City to provide extra height and density allowances (up to six storeys) for new rental projects without needing to go through a lengthy rezoning process. However, certain criteria would need to be met to allow for six-storey rental apartment buildings as-of-right:

- At least 20% of the residential floor area of a project must be dedicated for below-market rental housing (with the 80% remainder as market rental housing) or 100% social housing;
- At least 35% of the units must be suitable for families (two-bedrooms or larger); and,
- The project must be designed to a Passive House green building standard or comply with other green building policies.

For five-storey building forms on the same sites, 100% market rental housing would be permitted as-of-right without a rezoning.

It is worth noting that zoning for tenure is not permitted in Ontario. Legislative changes from the Provincial government would be required to implement something similar to what has been done in Vancouver.

6.3 Additional Dwelling Units (ADU)

Second suites or accessory dwelling units (ADUs) come in a variety of forms, such as basement suites, standalone rental units within the above-grade portion of a home, laneway suites, garage conversions, among others. The goal of an ADU is to create a new rental unit within an existing privately owned single-family home.

NBLC surveyed 16 programs across Ontario that offer incentives to encourage ADUs. All programs generally had similar characteristics, which include:

- 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. As noted in previously, these incentives can be offered through either a CIP or MCFB.

- 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 occupying the space (i.e., no short-term rentals like Airbnb), some have no restriction on rent at all (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 \$50,000 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 (e.g., zoning amendments, minor variance, appeals).

However, it should be noted that 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, 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 important to note that not all houses can accommodate or are appropriate for a second unit.

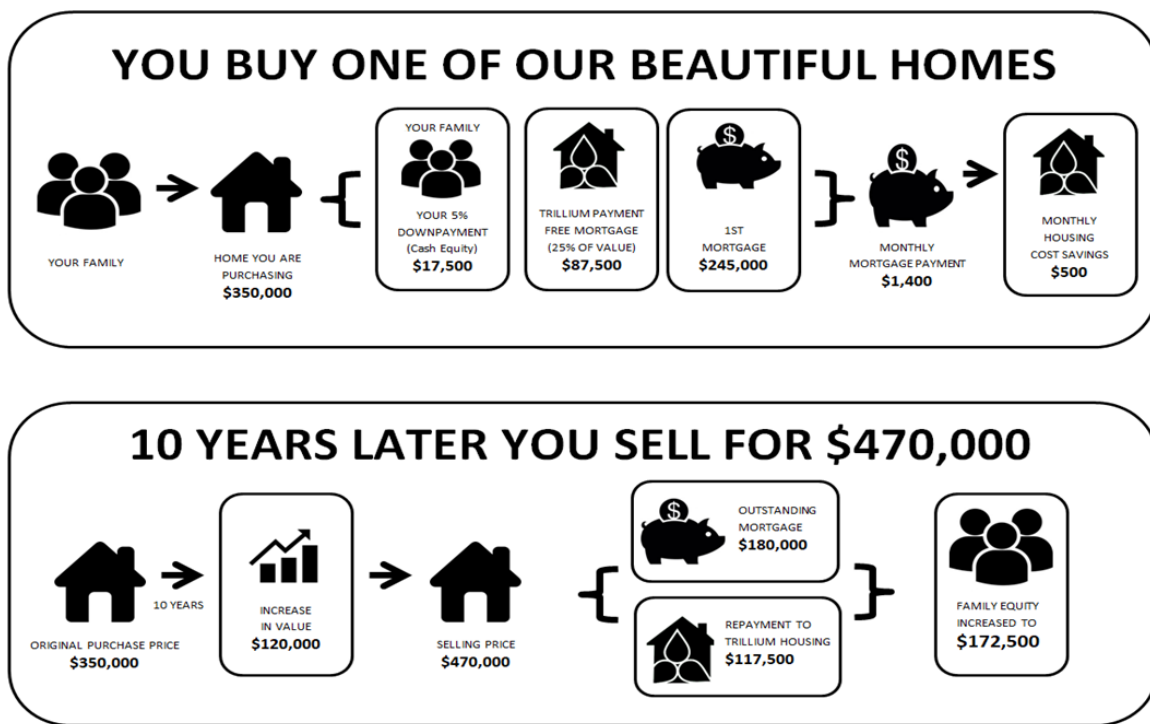
Notwithstanding the above, relative to constructing new rental housing, which is expensive, requires significant resources, and takes several years to implement, the creation of second units can be a fairly quick and cost-effective way to increase the supply of rental housing that leverages the existing 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 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 positively by homeowners given recent interest rate increases.

7.0 Affordable Ownership

Most incentive programs and municipal affordable housing strategies focus on rental housing. However, other non-profit and for-profit groups, such as Trillium Housing, Habitat for Humanity, and Options for Homes, utilize a second mortgage structure to assist qualifying homeowners with purchasing “below market” homes in their development. The level of affordability offered relative to market pricing is unique to each developer and to each project.

As illustrated by Figure 20, the operating structure of these groups generally involves the non-profit providing an interest-free second mortgage that acts as the purchaser’s down payment. This reduces monthly mortgage costs and allows households with a qualifying income to enter the market. Often, these households might be able to afford a mortgage, but cannot save an adequate down payment. The second mortgage is then repaid when the home is sold, in addition to a share of the equity appreciation.

Figure 20: Trillium Housing Second Mortgage Affordable Ownership Structure



*Bank of Canada 5 Year Rate 4.89%, 3.0%/year home value appreciation

While these groups have historically assisted households earning between the 4th and 6th income decile, they are increasingly required to move up the income spectrum as development costs have

increased¹⁴. Lower income households simply cannot afford the mortgage costs, even with the interest free second mortgage acting as a downpayment.

As illustrated by Figure 20, these programs also do not secure affordability over the long-term. Rather, when the home is sold by the initial purchaser, it is sold at market rates. The homeowner is then free to invest their equity as they see fit, and the non-profit uses their share in the equity to invest in the next project. Notwithstanding this, groups are exploring ways to implement long-term affordability within the affordable ownership structure, which could be achieved through limitations on the price appreciation of the home and the right of first refusal to reacquire the unit, which is similar to the Whistler Housing Authority model.

Affordable ownership groups have typically developed new housing through the donation of land by a municipality, as well as incentives. Increasingly, partnerships with developers are becoming more common, but require financial support (i.e., funding) or a mechanism to bring developers to the table (e.g., incentives, Section 37, IZ) is required. Interviews with Habitat for Humanity indicate that access to discounted land and waiving of development charges would be significant incentives that might allow their activation in the housing market.

Often, these groups will also pursue greenfield low-density development, which might make partnerships within the County's Whitebelt lands intriguing. Notwithstanding this, these groups have also increasingly been involved in more urban intensification, ranging from urban townhomes to apartments, particularly through partnerships with the development community.

¹⁴ https://www.thestar.com/business/toronto-s-housing-market-is-so-expensive-families-earning-100-000-are-now-eligible-for/article_2f754b85-3dbd-5f56-ba7a-03aad5a23b54.html

8.0 Vacant Home tax

In 2017, the City of Vancouver implemented the Empty Homes Tax (“EHT”) in an effort to encourage property owners to return empty and under-used properties to the market as long-term rentals. This was the first vacancy tax of its kind in a major Canadian city at the time. The tax rate was introduced at 1% at inception in 2017 and increased to 3% for the 2021 vacancy reference year.

To determine whether a property will be subject to the tax, residential property owners in Vancouver are required to declare their property status each year. Properties that are declared, determined, or deemed vacant are subject to a tax on the property’s assessed taxable value.

In 2017, when the EHT was first implemented, there were only 2,193 properties reported as vacant which is very small proportion of the Vancouver’s housing stock. While the number of vacant properties has decreased by 36% as of the 2021 reference year, the City’s vacancy rate remains at 0.9% as of 2022 – the same rate noted by CMHC in 2017. Although the EHT has not had an impact on improving Vancouver’s tight rental market conditions, the City has collected approximately \$138 million in revenue since the inception of the EHT, with \$115 million of the revenues having been allocated to support affordable housing initiatives. The tax is also subject to appeals and lawsuits from residents as of the writing of this report.

The City of Toronto has also recently implemented a Vacant Home Tax (“VHT”), which was introduced in early 2023. However, similar to Vancouver, a small proportion of properties were reported as vacant at just 2,100 properties. The City of Toronto estimates that the VHT could generate as much as \$66 million in revenue per year.

Many communities across Canada are investigating a VHT, with many determining that the number of vacant homes is minimal and that the cost of establishing and administering the tax may not yield a significant revenue source.

9.0 Alternative Construction Techniques

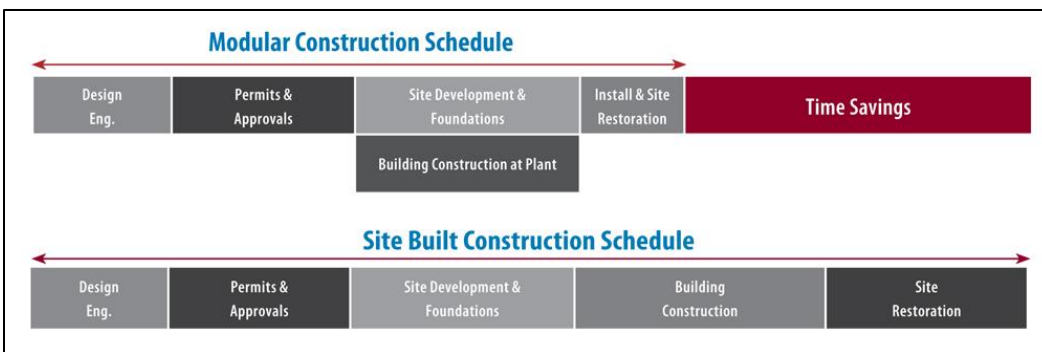
Given the rising costs of construction, there has been an emergence of alternative construction techniques with the intended goal of saving time and money during construction process. The following provides an overview of two prominent alternatives to the traditional methods of construction, which include modular construction and mass timber construction.

9.1 Modular Construction

Unlike traditional methods of linear construction, where each individual phase of a building is constructed onsite and must be completed before the project can move onto the next phase, modular construction follows a less linear process. Modular construction is a process that uses prefabricated components (or modules) that are assembled off-site in a manufacturing facility which are then transported to the site and assembled there, like building blocks.

The primary advantage that modular construction offers is the speed at which a project can be completed. For instance, as the foundations are being laid on site, the construction of the modular components of a building are already taking place at a manufacturing facility. These modular components typically arrive to the construction site up to 95% complete.¹⁵ Furthermore, since the building components are being manufactured in a climate-controlled environment, a project is not subject to as many unexpected setbacks, resulting in more predictable and consistent timelines. Overall, the simultaneous in-factory and on-site work makes modular construction up to 50% faster than traditional linear construction.¹⁶ Faster construction decreases the overall cost of a project, making buildings produced through modular construction an extremely cost-effective alternative.

Figure 21: Construction Process and Schedule – Traditional vs. Modular Construction



Source: Modular Building Institute

¹⁵ https://www.designingbuildings.co.uk/wiki/Modular_vs_traditional_construction

¹⁶ https://www.designingbuildings.co.uk/wiki/Modular_vs_traditional_construction

9.1.1 *International Precedents – Sweden and Japan*

Given the time savings benefits of modular construction, countries like Sweden and Japan have adopted this alternative construction technique to tackle their housing supply issues. Sweden for instance, is widely regarded as the global leader in off-site modular construction, with prefabrication accounting for 84% of the country's residential construction market share.¹⁷

Sweden has been able to boost housing supply due to the adoption of a country-wide, performance-based code that makes it easier for factories to build homes. This means that factories do not have to change the specs of modular homes for every locality, allowing them to function as assembly lines much like car manufacturing. These factories can choose whatever structural system makes the most sense for their operation, as long as the final result passes a code check.

A key driver in Sweden's move to off-site construction was the Scandinavian climate. Long winters, heavy snow, and frigid temperatures (similar to Canada) limit productivity when using traditional construction practices.

In Japan, about 15% of the country's newly constructed homes are now manufactured off-site. Initially, the prefabrication industry in Japan started after the Second World War, which focused on cheap housing that could be built quickly to help solve a massive housing deficit. However, the industry has evolved and has reached new heights with homes now being built with higher quality, greater longevity, and more stringent building requirements.¹⁸

9.1.2 *Local Precedents – City of Toronto Modular Housing Initiative*

Locally, modular construction has generally been used by municipalities to build supportive housing for individuals experiencing homelessness. A key example of this is the City of Toronto's Modular Housing Initiative. This initiative was implemented as part of the HousingTO 2020-2030 Action, which has a stated goal of creating 1,000 new modular homes in Toronto. The City is leveraging this alternative construction technique as a cost-effective way to build small-scale supportive housing on City-owned land in an effort to provide a rapid and dignified response to the city's homelessness crisis. To date, City Council has approved the construction of the first 250 modular homes on City-owned sites in 2020 and 2021.

¹⁷ Canadian Real Estate Magazine: Off-site Construction is One Way to Get More Homes Built Faster – November 2022

¹⁸ Canadian Real Estate Magazine: Off-site Construction is One Way to Get More Homes Built Faster – November 2022

Figure 22: Exterior and Interior Finishes of a Modular Building at 321 Dovercourt Road in Toronto



Source: Modular Building Institute

9.2 Mass Timber Construction

Another alternative construction technique that offers cost-effective advantages is mass timber construction. Mass timber construction is when the primary load-bearing structure of a building is made of either solid or engineered wood, instead of the concrete and steel. Mass timber is typically comprised of thick, compressed layers of wood that are bound together to create strong, structural load-bearing wood panels, beams, and columns. Similar to modular construction, mass timber products are prefabricated off-site and are then transported to the site for installation, which makes it faster to build than traditional construction. The other cost-effective advantage is that mass timber products weigh about 1/5th of concrete and steel materials, which reduces shipping costs and requires a smaller workforce to install.¹⁹ Additionally, mass timber also provides environment benefits as a lower carbon alternative to concrete and steel.

Mass timber construction has become an emerging trend in Canada with the 2020 National Building Code now permitting mass timber buildings of up to 12 storeys. By the end of 2021, the federal government's State of Mass Timber in Canada report noted that there were already nearly 500 mass timber projects across the country, with 412 completed, 52 under construction, and another 12 planned.²⁰ A couple of the more prominent projects include the 10-storey T3 Bayside office building on Toronto's waterfront and another office project by the same firm in Toronto's west end called T3 Sterling Road.

As noted above with Toronto's Modular Housing Initiative, mass timber construction could also likely be leveraged as a cost-effective and faster alternative to building new housing on publicly owned land.

¹⁹ <https://www.cdsmith.com/mass-timber-construction>

²⁰ The Globe and Mail: Harder, faster, better, stronger: Mass timber is trending up – August 2022



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