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Item No.
Community Planning & Economic Development
November 10, 2011

TO: Chair and Members of the Community Planning & Economic
Development Committee

SUBMITTED BY: Original signed

Phil Townsend, Director, Planning and Infrastructure

DATE: October 25, 2011

SUBJECT: Affordable Housing Functional Plan Update

INFORMATION REPORT

ORIGIN

Council Resolution of October 18, 2011.

EXECUTIVE SUMMARY

Staff research has identified key opportunities for study through the Regional Plan Review process with the subsequent goal of completing the Housing Affordability Functional Plan. While the following factors and sub-factors are intended as key points of consideration and potential adoption, amendments to the Halifax Charter may be required.

1. Planning policy measures being addressed include:
 - a. Density Bonusing - offering the developer additional density in exchange for the provision of affordable housing units;
 - b. Inclusionary Zoning - Moderately priced dwelling units to add additional mid-range priced units at below-market rates in specified locations;
 - i. Enhancing Design Control measures to assist in implementation of the foregoing.
 - c. Permitting Secondary Suites As-of-Right – additional units in existing homes or residential structures (e.g. attic/basement flats, etc.); and
 - d. Other Potential Opportunities of Merit such as Seniors Only Housing and adaptive reuse of existing structures.

2. Financial measures being addressed include:
 - a. Maintaining existing programs;
 - b. Creating a financial grant's reserve account;
 - i. Provincial Funding Gap for Municipalities.
 - c. Seeking partnerships with the Provincial and Federal Governments.
3. Annual Housing Affordability Monitoring - yearly Housing Report will establish the following:
 - a. Methodology and Criteria;
 - b. Targets; and
 - c. Number and mix of units.

BACKGROUND

The municipality has been undertaking ongoing research on the broad and complex social issue of affordable housing. Narrowing the scope of the project has been a fundamental challenge in an issue that bridges social programming and the limited means of municipal implementation. Accordingly, the focus of the ongoing effort concerning housing affordability is not to broaden but to narrow the scope by focusing largely on opportunities of merit and the completion of the Housing Affordability Functional Plan through the wider Regional Plan review process.

While there are many definitions of affordable housing, all examine the relationship between income and shelter costs. Generally, in low to moderate income households, an upper limit of 30% of before-tax income spent on shelter, provides sufficient resources for other resources such as food. While the Affordable Housing Functional Plan will explore a definition of affordable housing more extensively, the 30% threshold is used to describe affordable housing in the context of this report.

DISCUSSION

Housing affordability remains an issue of ongoing importance in municipalities across Canada. Housing Affordability Plans vary in scope and complexity and are dependent on the Provincial legislative frameworks to determine the extent to which Municipalities integrate land use planning policies into their frameworks for housing policy. However, the extent to which Municipalities can adopt measures beyond matters of land use planning, is a function primarily of the Provincial legislative frameworks that empower the integration of provincially mandated social programming at the Municipal level.

In Nova Scotia, municipalities do not have a social housing mandate as constituted under Provincial legislation. Accordingly, Municipalities in Nova Scotia tend towards addressing issues of Housing Affordability through available tools in the Municipal Government Act (HRM Charter), in the form of land use policy and forms of available revenue such as the sale of land, property taxation relief or community grants.

As subject matter, Affordable Housing is a complex matter of social concern as reflected in a study completed for HRM by Ray Tomalty and Ross Cantwell. In this 2004 study entitled "Municipal Land Use Policy and Housing Affordability", key factors were identified as measures that could assist in ameliorating housing unaffordability. To date, some of these measures have been completed by the Municipality.

CURRENT PROGRAMS AND INITIATIVES THAT HAVE BEEN COMPLETED OR ARE IN-PROGRESS

1. HRM's Regional Plan

The following is a list of relevant initiatives, under the umbrella of the Regional Plan, that have been completed or are underway, and are felt to be integral in the creation of HRM's Affordable Housing Functional Plan:

- ✓ Land use policy
- ✓ Alternative planning standards
- ✓ Reduced parking standards
- ✓ Streamlined municipal approval process
- ✓ Current Housing Needs Assessment
- ✓ Density Bonusing Amendments for the Downtown Core
- ✓ Inclusionary development policies

Land Use Policy:

HRM's Regional Plan supports affordable housing in a number of ways by:

1. Identifying parcels of land for development of new housing in both serviced and unserved areas based on projected market trends – additional reserve areas have been identified which may be considered, if growth outpaces projections;
2. Encouraging more compact forms of development that can lead to cost avoidance associated with elongated infrastructure and widespread services;
3. Creating many location choices for housing development in a broad range of growth centres in urban, suburban and rural areas;
4. Creating opportunities for a mix of housing types at a range of price levels within growth centres;
5. Reducing dependency on private automobile travel through increasing access to public transit; transit use is encouraged by supporting growth in locations where transit can be most economically provided and also by creating a framework of transit-friendly community design;
6. Monitoring housing and demographic trends and the supply of available lots for housing on an ongoing basis so that adjustments may be made in the event that projected housing demand surpasses available supply;
7. Encouraging secondary planning efforts to consider more options for diverse and special needs housing; and

8. Encouraging innovation in housing design, developing affordable housing targets and incentives, developing partnerships, and engaging in public education and community facilitation processes at the community level.

Alternative Planning Standards:

The adoption of alternative planning standards was a focal point of the HRMbyDesign Planning process for Downtown Halifax. It included regulations that facilitate increased density, that encourage a mixed-use approach to development, and that had a positive impact on housing affordability by removing any minimum unit size or maximum residential density requirements. In October of this year, Council approved the initiation of the Regional Plan 5 Year Review and the HRMbyDesign Centre Plan. These projects will bring such tools, and others, to the entire Regional Centre to incentivize the provision of housing at a range of affordability.

Reduced Parking Standards:

The recently adopted Downtown Halifax Plan does not require parking for new residential structures based on close proximity to work. The proposed new Centre Plan will also seek/address parking requirements that tend to create barriers to the provision of housing. The completed Regional Parking Functional Plan will provide important guidance in this regard.

Streamlined Municipal Approval Processes:

Year over year post 2007, HRM has improved its municipal land use approval processing times, which was a key recommendation in the Tomalty Report. The HRMbyDesign Downtown Halifax Plan replaced the Development Agreement process with the streamlined "Site Plan Approval" process. Not only is this a more expeditious process that encourages development and growth, it is also heavily design-oriented to ensure architectural excellence. The Regional Plan 5 Year Review and the HRMbyDesign Centre Plan, will continue HRM's move away from the time and money consuming development agreement approvals processes to a more streamlined and design-based approach, such as is now used in downtown Halifax.

Density Bonusing Amendments:

HRMbyDesign established Density Bonusing regulations in downtown Halifax. Strategic land use policy direction is founded upon principles that apply future growth, and a higher level of design and development to the growth centre. Adding a wider application of Density Bonusing regulation to apply outside of Downtown can assist in impacting increased affordable housing unit densities. Accordingly, this issue, considered to be an area of efficacy, is included as one of the Higher Priority Opportunities in the creation of a Housing Affordability Functional Plan for HRM going forward.

Inclusionary Development Policies:

As stated, HRM has, through the adoption of the RMPS, identified mixed use development in growth centers as a means to develop a mix of housing types that could result in a greater number of affordable housing units, whether in the form of multiple unit dwellings or other forms of higher density ground related housing. This strategy would also be further complemented by the broader application of density bonusing.

2. HRM Financial Measures

The following describes the suite of existing programs administered by HRM, aimed at providing financial relief in the area of housing affordability.

Housing Affordability Assistance – Homeowners:

HRM provides assistance to a variety of non-profit groups (including housing non-profits) in the form of grants, tax exemptions and discounted surplus property. The Residential Tax Rebate Program and Residential Tax Deferral Programs are administered by staff with the service delivered through HRM Finance.

Residential Property Tax Exemption Program (Administrative Order 10):

The Residential Property Tax Exemption Program targets lower income households. The income eligibility threshold and rebate values are indexed using annual data from the Canadian Council on Social Development. This program gives modest “rebates” to homeowners based on their income and the amount of property taxes due. Presently, the minimum payment threshold is \$100.

Residential Property Tax Deferral Program (By-Law T-700):

This program allows for the postponement of payment of either real property tax or a local improvement charge or both, for lower income homeowners. The income eligibility threshold is the same as for tax rebates. Presently, the maximum combined value of tax/LIC deferred cannot exceed 75% of the assessed value of the property. A modest interest rate is applied to deferred taxes.

Assistance to the Non-Profit Housing Sector:

The HRM Grants Program is a portfolio through which the municipality provides tax assistance, cash grants, and less than market value property sales to registered non-profit organizations. The portfolio is administered by staff and a standing committee of Regional Council, the Grants Committee. Each of the programs has its own eligibility criteria, policy and procedures, and annual budget. Currently, the portfolio includes the following programs:

- Community Grants Program
- Tax Exemption for Non-Profit Organizations Program
- Less than Market Value Property Lease or Sale

Community Grants Program

The Community Grants Program provides one-time grants to registered, community-based non-profit organizations and charities that serve social (includes housing), cultural, environmental, recreational and heritage initiatives. The program opens in January and the application deadline is March 31st. The value of award varies, usually in the range of \$1,000-\$5,000. Larger capital grants, up to \$25,000, may be awarded for property-related projects. Grants have been provided to groups such as Dartmouth Non-Profit Housing Association, Metro Non-Profit Housing Association, Creighton-Gerrish Development Association and various non-profit housing cooperatives to assist them in their mandate of providing shelter for the low income and the homeless.

Property Tax Assistance

HRM offers full or partial property tax exemption to non-profit organizations registered with NS Registry of Joint Stocks or non-profit organizations with a Federal Charitable Status number. Exemptions are awarded to organizations based on the type of service they provide to the community. Various types of organizations are eligible for assistance including "Shelter and Affordable Housing". The types of groups covered under the housing sector include: emergency shelters, short-stay transitional residences, homes for persons with special needs, and non-profit affordable housing projects.

Less than Market Value Property Sale or Lease

Subject to availability, HRM may provide short-term (lease) or long-term assistance to non-profit housing initiatives through less than market value sales or leasing. Inter-governmental agreements have, for example, assisted in the development of urban non-profit housing cooperatives through long-term land leases. HRM has also assisted housing groups through discounted land sales, but availability and location are constrained by the distribution of public amenities based on population and municipal mandate, i.e. HRM does not have a direct delivery role in housing. Consequently there has been limited geographic reach, for example, into rural communities. Adaptive re-use has been undertaken by some recipients but this is not necessarily a cost-effective approach as compared to customized construction.

Grants Program staff have undertaken a review of all less than market value sales to non-profit groups over the period of 1998-2010. An analysis of the findings will be presented to the Grants Committee.

Public Land Liquidation and Land Donation for the purposes of Supplying Affordable Housing:

The Halifax Charter prohibits the donation or sale of public land at less than market value to the private sector as a form of assistance in the production of more affordable housing. The province and the municipality have at times donated land for non-profit housing projects. At present, there is less demand for public land donations to housing projects due to the absence of federal/provincial government capital funding.

Secondary Suites:

In many areas of HRM, the potential exists to create a large number of moderately priced rental units through changes to land use by-laws to open opportunities for secondary suites. This approach has a double benefit in that not only is a rental unit created, but the primary unit also becomes more affordable due to the addition of rental income. This has the potential to make the Regional Centre once again affordable to young families, who have been decamping to outlying areas for decades. It also creates opportunities for home-owners to "age in place." In the past, community consultation has shown this solution is not considered appropriate in some neighbourhoods. However, the large potential indicates a need to include further discussion in the Centre Plan and subsequent long range planning projects.

PRIORITY OPPORTUNITIES OF MERIT FOR STUDY THROUGH REGIONAL PLAN REVIEW PROCESS

The following is a list of elements forming a general framework for the proposed HRM Housing Affordability Strategy which will in part assist in completion of the HRM Housing Affordability Functional Plan. Within the framework, each of the elements will be reviewed with the goal of creating a comprehensive plan that will address housing affordability by varied methods.

Explanation of Program Elements

1. Planning Policy Measures

In addition to continuing to implement and expand on the policy directions provided under the Regional Plan pertaining to housing affordability, staff intends to undertake concerted work in the following areas:

a. Density Bonusing:

Density bonusing is an arrangement whereby the Municipality would allow a Developer to exceed maximum dwelling unit density levels that are established in the land use by-law, in exchange for the provision of low-cost housing units or for the provision of a specific public amenity that benefits the community. Designed as a voluntary system, density bonusing is intended to benefit both the Developer who is able to build more floor area in a given project and the Municipality who gains new low-cost housing (and/or public amenity) and realizes higher tax revenues from the increased floor space. Density bonusing has great potential to allow the private sector to produce affordable housing units at little or no cost to the municipality.

In terms of program elements for HRM's Housing Affordability strategy, one method in which to utilize density bonusing is to create affordable units in new buildings by artificially lowering rents to meet the standard definition of "Affordable Housing" (one aspect of which is that housing costs should not exceeding more than 30 - 35% of a households' gross income). The new affordable housing dwelling units would be intermixed with other units at market rates.

b. Inclusionary Zoning Provisions:

Housing Affordability can also be accomplished through the adoption of *Inclusionary Zoning Provisions* to meet the demand of dwelling units in the medium range of affordability. Inclusionary zoning is a policy to increase the number of affordable units by requiring builders to incorporate dwelling units in the middle of the affordability range into their projects in exchange, for example, the entitlement to build in a specific location, the idea being that the moderately affordable units would be funded through a portion of the overall project profit. In this way, inclusionary zoning increases the affordable housing dwelling unit stock and targets housing affordability based on location such as in the downtown core.

Within this framework, rates for some units in new housing developments would be in the middle of the affordability range, leaving density bonusing to more typical "Affordable Housing" dwelling units (that housing costs should not exceeding more than 30 - 35% of a households' gross income). However, unlike density bonusing where HRM would authorize a developer to build at a higher density than is otherwise specified in exchange for "affordable

housing" dwelling units, the introduction of inclusionary zoning would be tied to specific sites based on location. On these sites, units would be offered at more moderate ranges of 80 or 90% of market rates.

However, in either case, be it Density Bonusing or Inclusionary Zoning Provisions, it will be necessary to study the relationship between development economics and these provisions, in order to make informed choices regarding the exchange of height, density or location. This research has commenced with the start of the Regional Plan review.

Further, seeking additional enhancements to Site Plan provisions through the Charter for locations outside of downtown Halifax, would enhance application processing times and design controls required to utilize both Density Bonusing and inclusionary zoning effectively. It is generally considered that design controls are key to removing any social stigma by mixing the units amongst market rate units. It would be a key objective that the creation of, and by creating, "affordable projects" are of a quality of design and material such that they are indistinguishable from market rate projects.

c. Permitting Secondary Suites As-of-Right:

Typically, a secondary suite is a private, fully self-contained unit within an existing dwelling that usually shares parking facilities and amenity space with the rest of the house. Unlike a semi detached house or a standard duplex, these suites are usually invisible from the street, a feature that helps preserve existing neighbourhood character and reduces opposition to their creation in neighbourhoods that might oppose more visible forms of affordable housing. Because they are inexpensive to construct (relative to building a new house) and can be discreet, secondary suites have significant potential to help home buyers afford their mortgages and to add to the private supply of affordable rental housing.

There are issues with the proliferation secondary suites that must be addressed such as available on-street parking. Many municipalities across Canada have taken steps to encourage the creation of secondary suites within land use policy.

Permitting these units is considered to be efficacious, in terms of the affect on HRM's housing affordability, but this initiative also carries with it the additional benefit of densifying urban residential neighbourhoods, thus making these areas more sustainable and congruent with the direction of the RMPS. Accordingly, permitting secondary suites as-of-right in residential neighbourhoods is intended as one of the focal areas going forward under Housing Affordability in the Regional Plan review process.

However, this initiative will require the review and potential reduction/elimination of associated parking requirements, and the creation of design guidelines to ensure that secondary units can blend sufficiently into the character of exiting neighbourhoods. Accordingly, staff would seek to commission an external study quantifying the benefits of universally permitting secondary suites.

2. Potential New Financial Incentives

Staff intends to evaluate the potential introduction of additional monetary incentives at the municipal level, including the following:

a. Exemptions from Planning Fees and other Levies:

Developers pay a variety of fees and charges related to the planning approval process, which together can add substantially to the cost of delivering new housing. Exemptions could include the waiving or refunding fees for MPS and zoning by-law amendments, consents to sever lots, plans of subdivision, development agreements, site plan applications and agreements, minor variance applications, demolition permits, building permits, and parkland dedication.

Through the Capital Ideas program, we will be looking at tax and other incentives to bring families back to the Regional Centre by making the prospect more affordable.

b. Creating a Designated Reserve Account from Application Fees:

Staff will investigate the feasibility of creating a financial reserve account from development application fees. For example, in relation to homelessness, the federal government has developed a grant program administered by Human Resources & Skills Development Canada in collaboration with Public Works. The Surplus Federal Real Property Homelessness Initiative (SFRPHI) program accepts applications from proponents for funding towards the purchase of a surplus federal property that has been identified for this purpose. HRM could consider a modified version of this program whereby the internal departmental review process used by Real Estate, identifies a limited number of surplus municipal properties deemed appropriate for housing. This approach quantifies the value of HRM's contribution in the form of a grant rather than as a revenue loss to the Sale of Land Reserve. Program criteria could be established for the type, location, or value of property offered for disposal in this manner.

c. Expanding Existing Programs:

Staff will explore the feasibility of enhancing several of the value-added programs currently offered by HRM, through the Financial Services department and/or the Grants Committee. For example, the proposed re-design of the *Tax Exemption for Non-Profit Organizations Program* and an evaluation of existing grants and in-kind contributions, may identify opportunities for efficiencies and the re-allocation of existing capacity relative to Council's programming priorities.

3. Partnerships

As indicated earlier, the primary responsibility for providing lower cost housing in Nova Scotia is with the provincial government. There are, however, opportunities for municipalities to assist the province with this mandate, particularly through identification of opportunity sites for development. HRM staff is actively working with provincial officials in this area. Potential partnerships with private sector firms may add additional opportunities.

The very recent funding agreement (October 25, 2011) signed between the Federal and Provincial governments regarding housing affordability in Nova Scotia (combined \$60M over three years), represents a timely opportunity for HRM. The provincial government anticipates

having its affordable housing strategy prepared by mid-2012, thus HRM is well positioned to provide input into its development.

Next Steps:

Going forward, as part of the Regional Plan review process, staff intends to undertake the following:

1. Define our operational definitions of housing affordability in order to focus our efforts and determine the most effective and efficient “Opportunities of Value”.
2. Evaluation of the full range of development-related and finance-related incentives to make densification more affordable.
3. Analysis of development fees over a 5-year period and assess the impact of diverting a portion of development application fees for housing affordability purposes.
4. Complete Housing Affordability Functional Plan.
5. Adopt and integrate measures as a function of the larger Regional/Centre Plan review.
6. Develop an effective Housing Affordability Monitoring Program that establishes a benchmark data base, methodology, and criteria by which progress measurement can occur; establish targets (number/mix of units) and a reporting mechanism for HRM Council.

Conclusion

Council’s recently initiated Regional Plan review and Centre Plan creation projects, offer strong opportunities to advance affordable housing initiatives in HRM, complimentary to the Affordable Housing Functional Plan. Key opportunity areas include:

- The creation of new mixed use developments with excellent access to transit and active transportation;
- Further enhancements to streamline development approvals for projects appropriate to the community context;
- Density Bonusing and inclusionary zoning;
- Provisions in Municipal plans and by-laws for secondary suites; and
- Partnership opportunities with the Provincial government, Federal government and private sector.

BUDGET IMPLICATIONS

There are no budget implications.

FINANCIAL MANAGEMENT POLICIES/BUSINESS PLAN

This report complies with the Municipality’s Multi-Year Financial Strategy, the approved Operating, Project and Reserve budgets, policies and procedures regarding withdrawals from the utilization of Project and Operating reserves, as well as any relevant legislation.

COMMUNITY ENGAGEMENT

There is no community engagement associated with the content of this report.

A copy of this report can be obtained online at <http://www.halifax.ca/council/agendasc/cagenda.html> then choose the appropriate meeting date, or by contacting the Office of the Municipal Clerk at 490-4210, or Fax 490-4208.

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