

Affordable Rental Housing Community Improvement Plan

Contents

1. Introduction	1
2. Purpose of the Plan	2
3. Legislative Authority	2
3.1 Municipal Act	2
3.2 Planning Act	3
3.2 Official Plan Policy	3
4. Community Improvement Project Area	3
5. Community Improvement Plan Programs	4
5.1 Multi-Residential Rental Incentive Program	4
5.1.1 Affordable Units	4
5.1.2 Below-Market Units	4
5.1.3 Eligibility and Evaluation Criteria	4
5.2 Gentle Density Incentive Program	5
5.3 Enabling Programs	6
5.3.1 Tax Increment Equivalency Program	6
5.3.2 Land Acquisition Program	6
6. Administration	6
7. Monitoring and Amendments	6

1. Introduction

The rise in housing costs has significantly outpaced income growth over the last fifteen years. Rental housing is an essential part of the housing continuum as it is more financially attainable for many individuals and households. However, between 2008 and 2023, average rents in Mississauga increased by 71% while average (Ontario) wages increased by 53%.¹

After a lengthy period of very limited growth since 1990, there has been an increase in purpose built rental construction in recent years. However, significant costs in construction (price of land, labour,

¹ Source: Statistics Canada average wage data for Ontario

materials, financing) have resulted in prevailing market rents in new buildings that are considerably higher than many households can afford.

Moderate income households,² which make too much to qualify for housing subsidies, are increasingly challenged to secure appropriate market housing. *Making Room for the Middle – An Affordable Housing Strategy for Mississauga* (2017) identified the need to address housing needs of moderate-income households to ensure Mississauga’s residents and workforce have broader and more affordable housing options. A Community Improvement Plan (CIP) was identified as a mechanism to address some of the barriers to achieving affordable rental housing.

A CIP is a tool that enables municipalities to provide financial incentives and other programming to help meet specific goals and community improvement objectives, such as increasing affordable housing options for residents. The rationale for establishing a CIP is that the desired development is unlikely to occur *without* municipal intervention through the creation of programs like financial incentives.

In 2023, Council adopted *Growing Mississauga: An Action Plan for New Housing*, which renewed Council’s priorities to address housing affordability for renters through a CIP.

2. Purpose of the Plan

The purpose of this CIP (“the Plan”) is to stimulate new affordable rental housing development. The Plan will achieve this purpose through two primary mechanisms:

- Provide financial incentives, to private and non-profit housing developers and property owners to construct new rental and affordable rental housing units; and,
- Enable the City to acquire, prepare, and lease or dispose of land for the purposes of affordable housing development.

The anticipated outcome of this Plan is to provide new rental housing options for Mississauga’s current and future moderate-income renter households throughout the city and achieve mixed-income, inclusive communities.

3. Legislative Authority

3.1 Municipal Act

Section 106(1) of the *Municipal Act, 2001* prohibits municipalities from assisting, either directly or indirectly, any manufacturing business or other industrial or commercial enterprise through the granting of bonuses for that purpose. However, an exception is made in Section 106(3) of the *Municipal Act*³, 2001 for municipalities exercising powers under Section 28 of the *Planning Act*, which enables the granting of incentives for the achievement of municipal objectives, such as, but not limited to promoting new affordable rental housing development.

² Earn between \$56,000 and \$96,000 in 2024

³ An alternative exception is made in Section 106.1(1) of the *Municipal Act, 2001*, where the Lieutenant Governor in Council may make regulations authorizing a municipality to grant assistance.

3.2 Planning Act

Provided that the official plan of a municipality contains policies relating to community improvement, the municipality may designate, by by-law, the whole or any part of an area covered by an official plan as a Community Improvement Project Area (CIPA) (*Planning Act*, Subsection 28(2)), where community improvement is, in the opinion of Council, desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason (*Planning Act*, Subsection 28(1)).

Once the CIPA is designated, the municipality may adopt a CIP for a CIPA. The CIP allows municipalities to provide assistance to landowners without contravening the anti-bonusing provisions of Section 106 of the *Municipal Act*. The municipality may undertake the following actions:

- Acquire, hold, clear, grade or otherwise prepare land within CIPA (Subsection 28(3));
- Construct, repair, rehabilitate or improve buildings on land acquired or held by it in the CIPA in conformity with the CIP, and sell, lease or otherwise dispose of any such buildings and the land appurtenant thereto (Subsection 28(6)(a)).
- Sell, lease or otherwise dispose of any land acquired or held by it in the CIPA to any person or governmental authority for use in conformity with the CIP (Subsection 28(6)(b)).
- Provide grants and / or loans in conformity with the CIP, to registered owners, assessed owners and tenants of lands and buildings within the CIPA, and to any person to whom such an owner or tenant has assigned the right to receive a grant or loan, to pay for the whole, or any part of the, eligible costs of the CIP (Subsection 28(7)).⁴
- Provide grants and / or loans for eligible costs identified within the CIP which may include costs related to environmental site assessment, environmental remediation, development, redevelopment, construction and reconstruction of land and buildings for rehabilitation purposes or for the provision of energy efficient uses, buildings, structures, works, improvements or facilities (Subsection 28(7.1)).

3.2 Official Plan Policy

Community improvement policies are contained within Section 19.22 of Mississauga Official Plan. These policies identify affordable housing as a type of community improvement that CIPs may consider. The policies also identify the manner in which CIPs may be carried out, including participation in funding programs with senior governments, acquisition and assembly of land, and allocation of public funds in the form of grants, loans, or other financial instruments.

4. Community Improvement Project Area

On October 23, 2019, Council passed By-law 0158-2019, thereby designating the entire City of Mississauga as a CIPA. The rationale for the city-wide boundary is to provide greater opportunity to attract affordable rental housing development in the city, with the objective of creating diverse, mixed-

⁴ The total of all grants, loans, and/or tax assistance provided to lands or buildings within the CIPA cannot exceed the eligible costs as described within the CIP (*Planning Act*, Subsection 28(7.3)).

income communities within Mississauga that offer a range of housing options for residents of various socio-economic backgrounds.

5. Community Improvement Plan Programs

The Plan consists of two major financial incentive programs – the Multi-Residential Rental Incentive Program and the Gentle Density Incentive Program.⁵ In addition, enabling programs that may be explored in more depth and utilized at a later time are included in this Plan.

5.1 Multi-Residential Rental Incentive Program

The Multi-Residential Incentive Program is aimed at providing financial incentives to support the creation of affordable and below-market rental housing units in non-profit and new market-priced purpose-built rental housing projects, and is intended to be stackable with incentive / financing programs offered by other levels of government. The Multi-Residential Incentive Program will offer grants / grant-in-lieu of certain municipal fees for affordable units achieving one (1) of two (2) thresholds of affordability.

5.1.1 Affordable Units

For units with rents at or below 100% of Average Market Rent (AMR)⁶, the following incentives are available:

- Capital grant of up to \$130,000
- Grant-in-lieu of Building Permit fees
- Planning fee relief for non-profit housing providers⁷

5.1.2 Below-Market Units

For units with rents above 100% AMR but below 125% AMR, the following incentives are available:

- Grant-in-lieu of City Development Charges (DCs), Community Benefit Charges (CBCs), and Parkland Cash-in-lieu (CIL)
- Capital grant of up to \$60,000
- Grant-in-lieu of Building Permit fees

5.1.3 Eligibility and Evaluation Criteria

To be eligible for this program, projects must:

⁵ A “but for” test establishes the need for incentives in Mississauga. But for the provision of financial incentives affordable rental housing will likely not be developed in the City. This was confirmed through consultation with development stakeholders on March 26, 2024 and a statutory public meeting held on May 21, 2024. Additional financial analysis was conducted by Parcel Economics to inform the CIP programs.

⁶ Note: Affordable units that qualify under this category will need to meet the *Development Charges Act, 1997* definition of “affordable residential unit, rented,” as further outlined in the Province’s *Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin*. Currently, 100% AMR is the deciding factor for maximum affordable rents. Should the income-based component of the definition be the deciding factor, this CIP will follow suite.

⁷ This is an interim measure until the proposed updates to the Fees and Charges By-law come forward in Fall / Winter 2024. At that time, staff will recommend a new non-profit category in the tariff.

- Include five (5) or more affordable rental or below-market rental units;
- Include a minimum 25-year affordability term for the affordable / below-market units

Eligible Projects include applications from private, public, and non-profit housing providers including non-profit housing co-operatives, or private/public/non-profit partnerships. Equity co-operatives will not be eligible for this program.

Applicants who are also party to Inclusionary Zoning / Section 37 / Development agreements requiring affordable / below-market units will only be eligible for CIP funding for units that exceed the original commitment (e.g. more units, longer affordability, deeper affordability).

Any project that has entered into funding agreements with the Region of Peel under a Regional incentive program prior to adoption of this CIP must demonstrate financial need for additional funding from the City.

Minimum Unit Size Requirements

Units qualifying for funding under this CIP must meet the following minimum unit size requirements:

- 47 m² (or approx. 505 ft²) for 1-bedroom units
- 63 m² (or approx. 678 ft²) for 2-bedroom units
- 79 m² (or approx. 850 ft²) for 3-bedroom units

Additional Evaluation Criteria

The City may use additional criteria to evaluate applications to the program, including:

- Shovel-readiness
- Total units in project
- Percentage of affordable units
- Support from other funding partners
- Development qualifications of applicant and project viability

5.2 Gentle Density Incentive Program

In December 2023, the City permitted four (4) units as-of-right on all residential lots to increase opportunities for gently density in Mississauga's residential neighbourhoods. The Gentle Density Program is intended to provide financial incentives to encourage the provision of up to four (4) units on lower density lots in the City. Eligible proposal include Additional Residential Units (ARUs) on a single-detached, semi-detached, or townhouse lot and plexes. This program is intended to be stackable with incentive / financing programs offered by other levels of government.

The following incentives are available:

- A grant-in-lieu of building permit fees is available for the creation / legalization of second, third, and fourth units on lower density lots.
- Currently, Provisional legislation does not exempt the fourth unit on a lot from municipal development fees, whereas the second and third unit are exempt. To encourage the provision of four units on a lot, a grant-in-lieu of City DCs and Parkland CIL for the fourth unit is available,

provided the fourth unit remains rental for a period of 25 years and conversion to condominium are not permitted.

- There are some scenarios where the City may support the conversion of non-residential space to residential space. A grant-in-lieu of Parkland CIL fees is available for the creation of up to four residential units through a conversion, provided units remain rental for a period of 25 years and conversion to condominium are not permitted. The residential conversion must be municipally supported and in conformity with the City's Official Plan.

5.3 Enabling Programs

5.3.1 Tax Increment Equivalent Program

As a component of the Multi-Residential Program, consideration was given to the provision of maximum 25-year Tax Increment Equivalent Grants (TIEG) to offset the increase in property taxes on the affordable units that occurs as a result of redevelopment. However, since one of the primary funding for this Plan is a time-limited federal funding program, the City will need to investigate alternative, stable, long-term funding sources to fund the TIEG.

5.3.2 Land Acquisition Program

The City may acquire and dispose of municipally-owned property for affordable housing purposes. It may also offer up such property at nominal or below market rates, issue requests for proposals (RFPs) for private development and / or participate in public-private partnerships (P3s) for development that achieves the objectives of the CIP. Additionally, the City may elect to dispose of City-owned lands for the purpose of attracting new rental / affordable rental housing.

6. Administration

This Plan and the Programs contained therein, will be administered by the Planning and Building Department. The Programs will be administered with a rolling application window whereby applications will be accepted at any time. This approach will ensure expedited incentive approvals. As such, funding is on a first-come, first-served basis. Applications under this CIP are subject to approval, and the availability of funds, at the discretion of the Chief Administrative Officer or their designate.

If incentives are granted, the landowner or tenant will be subject to terms and conditions for the duration of the rental / affordability term (as applicable), to be secured within a legally binding agreement.

The Programs in this Plan are intended to be stackable with incentive / financing programs offered by other levels of government.

7. Monitoring and Amendments

The City will monitor the use of the programs contained in this Plan, to understand program participation and effectiveness on an ongoing basis. Periodic reporting to Council will occur to ensure Council is apprised of program effectiveness, address any amendments to the Plan, recalibrate incentives based on program uptake, and to address budgetary issues.

A formal amendment to this Plan is required in the following circumstances:

- changes to the Affordable Rental Housing Community Improvement Plan Project Area boundary
- the addition of grant, loan and incentive programs, not referred to in the Affordable Rental Housing CIP
- other major revisions (e.g. program time frames, eligibility criteria, etc.)

This Plan is subject to funding. The discontinuation or pause, by Council, of any program referred to in this Plan shall not require an amendment to the Plan. Amendments are subject to the provisions of the *Planning Act* with respect to notice, public involvement and appeal provisions.

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