

City of Mississauga
Corporate Report



<p>Date: July 10, 2024</p> <p>To: Chair and Members of Planning and Development Committee</p>	<p>Originator's files: CD.06-COM</p>
<p>From: Andrew Whittemore, M.U.R.P., Commissioner of Planning & Building</p>	<p>Meeting date: July 29, 2024</p>

Subject

Recommendation Report – Affordable Rental Housing Community Improvement Plan

Recommendation

1. That the Affordable Rental Housing Community Improvement Plan, attached as Appendix 1 to the report dated July 10, 2024, from the Commissioner of Planning and Building be approved.
2. That the incentives for eligible housing projects under the Affordable Rental Housing Community Improvement Plan be funded through the Housing Accelerator Fund and Affordable Housing Reserve Fund, to a maximum budget of \$44M.
3. That approval of eligible housing projects and approval of agreements with housing developers receiving funding through the Affordable Rental Housing Community Improvement Plan be delegated to the Chief Administrative Officer or their designate.
4. That staff be directed to consult with the Region of Peel to investigate the recent Provincial legislative changes that enable upper-tier municipalities to implement a municipal tax rate reduction of up to 35% for eligible purpose-built rental properties.
5. That the report titled “Recommendation Report – Affordable Rental Housing Community Improvement Plan” and attachments, dated July 10, 2024, from the Commissioner of Planning and Building, be forwarded to the Region of Peel, and that City Council express support for changes to the Peel Affordable Rental Incentive Program (PARIP), including:
 - (a) Increasing PARIP’s annual budget through the Region’s budget process; and,
 - (b) Revising the administrative structure of the program to increase the frequency of application windows or implement a rolling application approach to better correspond with Mississauga’s program.
6. That the report titled “Recommendation Report – Affordable Rental Housing Community Improvement Plan” and attachments, dated July 10, 2024, from the Commissioner of

Planning and Building, be forwarded to the Minister of Municipal Affairs and Housing for information.

Executive Summary

- Council has directed¹ the preparation of an Affordable Rental Housing Community Improvement Plan (CIP), as one of several actions to address housing affordability in Mississauga.
- At the May 21, 2024, Planning and Development Committee (PDC) Meeting, a public meeting was held to consider a draft CIP, which would incent the construction of affordable rental housing and gentle density housing units in Mississauga.²
- In addition to the public meeting, staff consulted to identify appropriate incentives to encourage affordable rental housing, including a virtual Industry Stakeholder Session on March 26, 2024, one-on-one conversations with development industry stakeholders, and meetings with other Ontario jurisdictions also considering housing incentive programs.
- The CIP includes a *Multi-Residential Rental Incentive Program* to encourage affordable rental units in higher density market rental projects, a *Gentle Density Incentive Program* to encourage housing supply, as well as enabling programs.
- As a result of feedback received from stakeholders, staff have proposed the Multi-Residential grants be increased by \$30,000 per unit. This would potentially shift \$10M of Housing Accelerator Funds (HAF) from infrastructure to housing, from what Staff presented previously.
- This report addresses concerns raised during consultation and recommends a final CIP.

Background

Making Room for the Middle – An Affordable Housing Strategy for Mississauga (2017)³ and more recently *Growing Mississauga Housing Action Plan* (2023)⁴, have documented the barriers associated with developing new affordable rental housing in the City. A CIP was

¹ Resolution 0162-2019, stemming from July 3, 2019 Corporate Report, available here (Item 10.2):

https://www7.mississauga.ca/documents/committees/council/2019/2019_07_03_Council_Agenda_Post.pdf

² May 21, 2024 Corporate Report, available here: <https://www.mississauga.ca/wp-content/uploads/2024/06/14153752/public-meeting-information-report-draft-community-improvement-plan-may-2024.pdf>

³ https://www.mississauga.ca/wp-content/uploads/2020/08/24131711/Affordable_Housing_Strategy_Appendix12-Web.pdf

⁴ https://www.mississauga.ca/wp-content/uploads/2023/07/Growing-Mississauga_An-Action-Plan-for-New-Housing.pdf

identified as an appropriate tool to help encourage the provision of affordable rental housing units in new market rental projects, as well as to encourage greater housing supply through gentle density in Mississauga's neighbourhoods. The City also committed to the CIP as part of the HAF funding commitments.

To inform the CIP incentives, *Parcel Economics* was retained to identify the financial gap a developer may experience when delivering affordable rental units. Industry input was obtained at a well-attended industry stakeholder session held on March 26, 2024. At the May 21, 2024, PDC meeting, a public meeting was held to consider a draft Affordable Rental Housing CIP. Additional measures to incorporate feedback included one-on-one conversations with housing developers and meetings with other municipal jurisdictions in Ontario who are also developing incentive programs.

This report addresses feedback received and provides the final CIP, attached as Appendix 1, which contains minor revisions based on consultation. Public written submissions are included in Appendix 2. The CIP provides a strong basis for the incentivization of housing supply in Mississauga, including affordable rental units.

Comments

The final recommended CIP includes multiple programs that aim to achieve different objectives. A summary of the CIP is provided in Table 1. The *Multi-Residential Rental Incentive Program* is the focus of the CIP, with the greatest potential impact to affordable housing supply due to the size of proposals eligible to participate (e.g. higher density projects), the size of incentives, and associated affordability requirements that must be met to secure incentives. A target of 100 units per year funded through this program for three (3) years has been identified.

The *Gentle Density Incentive Program* is primarily focused on encouraging housing supply in neighbourhoods. There will not be any affordability requirements tied to incentives, and in some cases, there will not be rental term requirements. Incentives are smaller in scale.

Two enabling programs are also proposed in the final recommended CIP. A property tax operating incentive is proposed as a maximum 25-year Tax Increment Equivalent Grant (TIEG) for units qualifying for the *Multi-Residential Rental Incentive Program*. A City land acquisition program for affordable housing is also included. To bring effect to the enabling programs identified, staff would need to return to Council for approval.

The final CIP incorporates the following changes in comparison to the draft CIP:

- The Multi-Residential grants are increased by \$30,000 per unit to total \$130,000 per unit for units rented at average market rent (AMR) and \$60,000 per unit for those rented at 125% (AMR), to better fund the financial gap. See discussion below.
- Addition of minimum unit size requirements (1-bedroom 47 m² or approx. 505 ft², 2-bedroom 63 m² or approx. 678 ft², 3-bedroom 79 m² or approx. 850 ft²) for Multi-

Residential incentives, to ensure the City does not fund units that are intrinsically affordable by nature of their size.

- Clarification that non-profit housing co-operatives can participate in the *Multi-Residential Rental Incentive Program*. See discussion below.
- A requirement that any projects that entered into *Peel Affordable Rental Incentive Program* (PARIP) funding agreements prior to the City's CIP adoption must demonstrate financial need for additional funding from the City, to address concern that Regional PARIP funding decisions would not have factored in City incentives.
- For the *Multi-Residential* program, clarification that 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).
- Clarification that in the *Gentle Density* program, the Building Permit Grant-in-Lieu does not have rental tenure or affordability requirements, because the grants are modest in nature and focus on increasing supply and housing stock diversity. Fourth unit / fourplex and the conversion grant-in-lieu will be subject to a 25-year rental tenure requirement.

Table 1: Summary of Final CIP

UNIT TYPE	INCENTIVES PER UNIT	DETAILS
MULTI-RESIDENTIAL RENTAL INCENTIVE PROGRAM		
Affordable Units (rent at or below 100% AMR⁵) Purpose: Encourage the provision of affordable units in market rental developments	<ul style="list-style-type: none"> • \$130,000 Discretionary Grant • Grant-in-lieu of building permit fee • Planning application fee relief for non-profit housing providers 	<ul style="list-style-type: none"> • Minimum 5 affordable / below-market units in project • Minimum 25-year affordability term • Eligible for statutory municipal fee exemptions • Minimum unit size requirements
Below-Market Units (rent at or below 125% AMR) Purpose: Encourage the provision of below-market units in market rental developments	<ul style="list-style-type: none"> • \$60,000 Discretionary Grant • Grant-in-lieu of City DC, CBC, and parkland CIL fees • Grant-in-lieu of building permit fee 	<ul style="list-style-type: none"> • Minimum 5 affordable / below-market units in project • Minimum 25-year affordability term • Not eligible for fee exemptions; grant-in-lieu will cover municipal fees • Minimum unit size requirements

⁵ To be eligible for statutory exemptions, the Provincial definition under the *Development Charges Act* requires consideration of the lower of (a) 100% AMR OR (b) housing costs that are no greater than 30% of income for households in the 6th income decile for renters households in Mississauga. In 2024, 100% AMR is lower value and therefore the determining factor in the maximum affordable rent rate. However, the CIP defers to the Provincial definition, and in future years, if the income-based component of the definition is a lower value, it may be the factor that determines the maximum affordable rent rate.

UNIT TYPE	INCENTIVES PER UNIT	DETAILS
GENTLE DENSITY INCENTIVE PROGRAM		
<p>Additional Residential Units (ARUs)</p> <p>Purpose: Increase supply of ground-related units through a modest incentive; complements City’s introduction of pre-approved plans to reduce cost of adding new units.</p>	<ul style="list-style-type: none"> Grant-in-lieu of building permit fee 	<ul style="list-style-type: none"> Applies up to a maximum of four units No requirements for affordability or rental tenure Applies to new construction and creation (legalization) of ARUs in existing structures.
<p>Fourplex / Fourth unit</p> <p>Purpose: Treat fourth unit the same as second and third units from a statutory fee exemption perspective, to facilitate supply</p>	<ul style="list-style-type: none"> Grant-in-lieu of City DCs and Parkland CIL for the fourth unit 	<ul style="list-style-type: none"> Unit must be rental tenure for a minimum of 25 years and conversion to condo not permitted No affordability requirements
<p>Conversions to Residential</p> <p>Purpose: Address Parkland CIL fees arising through small (≤ 4 unit) conversions of non-residential space to residential, to facilitate rental supply</p>	<ul style="list-style-type: none"> Grant-in-lieu of Parkland CIL for up to 4 residential units 	<ul style="list-style-type: none"> Unit must be rental tenure for a minimum of 25 years and conversion to condo not permitted No affordability requirements Conversion must be municipally supported / in conformity with Official Plan
ENABLING PROGRAMS		
<p>Tax Increment Equivalent Grants (TIEG)</p>	<p>For units qualifying in the <i>Multi-Residential Rental Incentive Program</i>, a TIEG could help offset a portion of the increased property taxes that results from redevelopment. A maximum 25-year TIEG is included in the CIP but will only be used if a long-term funding source is approved by Council.</p>	
<p>Land Acquisition for Housing Purposes</p>	<p>The City will be permitted to acquire and dispose of municipally owned property for affordable housing. It would also be allowed to 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. Any funding to acquire land would be limited to HAF and/or the Affordable Housing Reserve Fund.</p>	

Public Comments and Staff Responses

Staff received comments, questions and concerns throughout the preparation of the CIP and at the public meeting. Feedback received and staff responses are outlined below.

a. Multi-Residential Rental Incentive Program

Can the City provide / include operating cost incentives (e.g. Tax Relief) for the affordable units? Can the City consider incentives for market rental units?

Some stakeholders provided feedback suggesting that adding property tax discounts, in addition to the up-front grants, would help the program be more successful. Stakeholders also request consideration be given to incentives for market rental housing.

Staff Response: Parcel Economics identified a financial gap of \$120k to \$220k per affordable unit, after statutory municipal fee exemptions are applied. While this CIP may not cover the entire financial gap, it is designed to enable stacking with other government incentive programs. In addition, various recent initiatives from multiple levels of government have created a more enabling environment for market and affordable rental housing. It is too early to understand the cumulative positive impact of these initiatives, which include:

- HST exemptions for purpose-built rental housing (Federal and Provincial)
- Exemption from Inclusionary Zoning (IZ) requirements for purpose-built rental housing projects that fall within an IZ Area (City)
- Development Charge (DC) discounts for market rental units (Provincial legislation)
- DC, CBC, and Parkland Dedication CIL exemptions for affordable rental units and non-profit housing development effective June 1, 2024 (Provincial legislation)
- Peel Affordable Rental Incentive Program (PARIP) (Regional)

To better close the gap, staff increased the recommended grants, with the “affordable” and “below-market” streams offering \$130k and \$60k grants respectively. Municipal fee relief would apply to both streams. If program uptake is low, adjustments can be made.

The primary funding source for this CIP is HAF dollars, which must be spent in a short timeframe. A TIEG is included as an enabling program, and would require Council approval to be used, as any operating cost incentive would require identification of a longer-term funding source. In addition, the City only has control over 45% of the residential municipal tax levy, so any tax incentive would be more effective if it included Regional participation. Staff are also recommending in consultation with the Region of Peel, an analysis of recent Provincial legislation changes that enable upper-tier municipalities to create an optional subclass for new multi-residential properties to provide a tax rate reduction of up to 35% of the new multi-residential housing.

Is it practical to stack City incentives with PARIP incentives?

Questions were posed about how the City's program would interact with the Region's PARIP incentive program.

Staff Response: The Region of Peel's program targets units at 100% Median Market Rent (MMR) or below for 25 years – similar to the city's proposed CIP, thereby enabling stacking.

The City's CIP is proposed to be structured as a first-come, first-served program with automatic grants issued, provided criteria are met. In contrast, PARIP is administered as a competitive program. There is one annual call for applications, a time-limited application window, and PARIP's annual budget of \$7.5M is shared across the local municipalities.⁶ Applicants also make the case for the amount of funding needed through PARIP, as there is no set per door funding amount.⁷ Funding is awarded based on how an application scores against the evaluation criteria. The two differing approaches could work well going forward as applicants to PARIP will know the city's contribution in advance so the Region's program can consider the residual need after federal and City programs.

However, city staff share the concerns raised by stakeholders that annual PARIP funding of \$7.5 million would not be enough money if Mississauga (even excluding Brampton and Caledon) reached the target of 100 qualifying units per year. Accordingly, a recommendation has been included in this report for Mississauga Council to request Regional staff explore increasing the PARIP budget so more units can qualify, as well as revisions to the program application structure to increase the frequency of application windows or implement a rolling application approach to better correspond with Mississauga's program.

Can Housing Co-operative Participate in Affordable Rental Housing CIP?

Clarification was sought as to whether a housing co-operative would be eligible for the CIP.

Staff Response: A co-operative can be described as a corporation structured as a democratic organization controlled by its members, who actively participate in setting policies and making decisions. Some housing co-operatives require members to own share capital, which entitles a member to a housing unit. Monthly housing charges (similar to rent) are also paid. In contrast, non-profit housing co-operatives do not have share capital.

Staff recommend only non-profit housing co-operatives be eligible for the CIP, since they:

- Function more similarly to rental housing because there is no upfront requirement to purchase shares to be able to access a housing unit; and,

⁶ Since program launch, six (6) projects have received PARIP funding, including four (4) projects in Mississauga.

⁷ Since projects may have secured funding from other sources (e.g. CMHC programs), and may reach different depths of affordability, per unit funding has therefore varied widely from project to project. A total of 175 affordable units have been funded throughout the Region, with funding ranging from \$44,000 to \$514,000 per affordable unit, and a weighted average of \$131,400 per affordable unit.

- Can take advantage of other incentives, such as statutory municipal fee exemptions for non-profits. CMHC also recently introduced the *Co-op Housing Development Program*, which is a forgivable loan program for non-equity housing co-operatives.

Why is the affordability term twenty-five (25) years and not longer? How is Toronto's program successful when it has a longer affordability period?

A question was raised as to why the affordability term for the *Multi-Residential Rental Incentive Program* is 25 years and not longer.

Staff Response: Both the PARIP program and the statutory municipal fee exemptions in the Provincial legislation require a 25-year affordability period. The CIP requirements are aligned with these other programs to encourage participation, and because a unit that is affordable for 25 years is a valuable contribution to the affordable housing stock. Staff do not recommend a longer timeframe as it may deter applicants from participating in the program. The longer the affordability period, the greater the uncertainty around operating costs. In addition, after 25 years, units typically become intrinsically more affordable because of their age relative to newer stock.

Toronto's former Open Door incentive program and newly approved Rental Housing Supply Program both require a minimum 40-year affordability period. The new program offers capital grants (up to \$260k per unit) and ongoing property tax exemptions. It is difficult to draw comparisons between Toronto and Mississauga's programs, as Toronto is a single tier government and is the housing service manager, with access to more funding and tools to address housing. From an affordability term perspective, Mississauga's seems to be relatively consistent with other new / developing incentive programs in Ontario. For example:

- Richmond Hill is proposing to require 25 years of affordability, with TIEGs, site plan fee and building permit fee grants provided for 80%, 100%, and 125% AMR units. Capital incentives are only provided for 80% AMR units; and,
- Brampton is proposing to require 25 years of affordability for affordable rental and affordable ownership units, for capital grants up to \$340k via a competition-based application process.

b. Gentle Density Incentive Program

Is there going to be any interest in ARU and fourplex construction?

A question was raised about how much interest there is in gentle density units and whether this program under the CIP would have uptake.

Staff Response: From January 2018 to May 2024, a total of 3,228 gentle density units were constructed or received building permit issuance, and an additional 251 units were applied for and under review. This data demonstrates steady interest in gentle density unit construction. Most of the interest has been in the form of second units, as three units on a lot were only permitted as-of-right in November, 2023, and four units were

permitted in December, 2023. It appears there has been slight interest in third units since they were permitted, and less so for fourth units / fourplexes.

Going forward, it is difficult to accurately predict the level of uptake in the *Gentle Density Incentive Program*. Staff anticipate that additional measures such as education and marketing, and pre-approved plans may increase demand for gentle density units.

The grant-in-lieu of municipal fees for the fourth unit (either in the form of an ARU or as a fourth unit in a fourplex) is meant to match the legislative treatment given to the second and third unit.

Why are affordability requirements not included for the Gentle Density Incentive Program?

The Building Permit grant-in-lieu will not include requirements for maintaining rental tenure or affordable rents. The focus of this program is to encourage construction of more units on lower density residential lots in Mississauga. The Building Permit grant-in-lieu will offer a modest financial incentive, and work in conjunction with other City initiatives such as the ARU educational initiatives⁸ and the ARU pre-designed plans⁹ that save landowners money.

Given the relatively modest size of the incentive, it could be quite onerous to add affordability requirements to the Building Permit grant-in-lieu. If a landowner is seeking a larger grant, they can participate in Region's My Home Second Unit Grant Program, which offers capital grants for legalization of ARUs.¹⁰

For the Fourplex / Fourth Unit grant-in-lieu of municipal fees, as well as the conversion to residential grant-in-lieu, a 25-year rental term is required, as the incentives are larger.

Next Steps

Following final Council adoption, the next steps will be to generate interest in the program and to prepare detailed implementation guidelines and supporting administrative documents. The program is anticipated to launch in Fall 2024.

⁸ <https://www.mississauga.ca/services-and-programs/building-and-renovating/building-more-units-on-your-property/additional-residential-units/>

⁹ <https://www.mississauga.ca/services-and-programs/building-and-renovating/building-more-units-on-your-property/pre-approved-garden-suite-plans/#:~:text=The%20City%20offers%20pre%2Dapproved,living%2C%20sleeping%20and%20washroom%20facilities.>

¹⁰ <https://www.peelregion.ca/services/housing/second-unit-reno/> The program is currently on hold for re-evaluation.

Strategic Plan

The Affordable Rental Housing CIP aligns with the Belong pillar of the Strategic Plan. This initiative will encourage the development community to create new rental housing units that are affordable to our moderate-income renter households. These households are integral to Mississauga's workforce and maintaining a strong local economy.

Engagement and Consultation

A virtual industry stakeholder workshop was held on March 26, 2024, with over 80 stakeholders in attendance. A statutory public meeting was held on May 21, 2024, where a draft CIP was considered and comments were received. Staff have also had various one-on-one conversations with development stakeholders and engaged with other municipalities to understand their approaches to housing incentives.

Financial Impact

Grants provided under this Affordable Rental Housing CIP will be fully funded using the monies received from CMHC for the *Housing Accelerator Fund* in October 2023. The final CIP would require an allocation shift of \$10M of HAF funding from infrastructure to housing incentives. In total the CIP would be funded by \$34.8M of HAF dollars, plus the \$9.32M in the Housing Reserve, for a total of \$44M. Once the HAF monies are exhausted, the City can draw upon its *Affordable Housing Reserve Fund* to provide the grants. If CIP uptake is lower than expected, HAF funds can be reallocated to enabling infrastructure.

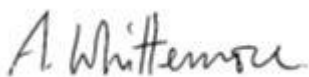
Conclusion

The objective of this CIP is to encourage the provision of affordable rental housing units through the Multi-Residential Rental Incentive Program, and additional residential units in lower density areas through the Gentle Density Incentive Program. The CIP aims to strike a balance between providing enough incentives per unit to ensure the units are delivered, while also ensuring the funding goes far enough to incentivize as many units as possible. Developers and landowners may need to secure other funding to address project financial viability. Implementation of the CIP will be an important step forward for securing more affordable rental housing and enabling more gentle density supply in Mississauga.

Attachments

Appendix 1: Affordable Rental Housing Community Improvement Plan

Appendix 2: Public Written Submissions



Andrew Whitemore, M.U.R.P., Commissioner of Planning & Building

Prepared by: Catherine Parsons, MCIP RPP, Planner, City Planning Strategies Division