



City of  
Peterborough

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**TO:** Chairman and Members of Planning Committee

**FROM:** Malcolm Hunt, Director, Planning & Development Services

**MEETING DATE:** January 7, 2002

**SUBJECT:** **REPORT PL02-001**  
**Taking Charge: An Investment in Affordability**  
**Affordable Housing 2002 Report**

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## **PURPOSE**

A report to recommend a number of initiatives for the City of Peterborough to undertake in order to stimulate the production of affordable housing.

## **RECOMMENDATION**

1. That Council endorse the strategy: *Investment in Affordability* outlined in Planning Report PI-02-001 as follows:
  - a) Fully Support the new Peterborough Affordable Housing Foundation in the following manner:
  - b) That the interest income of the Social Housing Reserve be directed to the Foundation for the next 5 years (with the potential for renewal) as a dedicated source of municipal funds.
  - c) That \$25,000 per year, for the next 3 years, be given to the Foundation for operational purposes to allow the Foundation to market itself, source new funds, secure administrative support and assist organizational activities.
  - e) Establish an Affordable Housing Property Reserve Fund and begin annual contributions of \$75,000 commencing in 2002.
  - f) Direct Revenues from municipal land sales for 5 years, commencing in 2002, to the Affordable Housing Property Reserve Fund.

- g) Adopt a Central Area Community Improvement Plan under the *Planning Act* to provide specific municipal authority to issue loans, grants, and tax rebates and other bonuses for new affordable housing projects qualified under a comprehensive municipal program.**
  - h) Establish the Central Area Conversion Loan Reserve Fund, funded through five (5) consecutive \$100,000.00 contributions from the capital budget to promote the creation of new rental housing units in existing building within the Central Area.**
  - i) Establish the Affordable Housing Partnership Reserve Fund, funded at \$100,000 per year for 5 consecutive years, to pay the development charges for new affordable housing units throughout the City.**
  - j) Adopt a Municipal Incentive Policy to run for the next 5 years, where planning application fees, building permit revenues, parkland fees and cash-in lieu of parking levys will be waived for qualifying affordable housing projects throughout the city.**
  - k) Under an approved Community Improvement Plan for the Central Area, provide authority to grant tax assistance as defined in section 442.7 of the *Municipal Act* for properties that are redeveloped for housing purposes.**
  - l) Amend the Zoning By-law to correct impediments to the production of new housing in the Central Area. Update the 1991 Municipal Housing Policy Statement**
  - m) Provide a one-time capital contribution of \$200,000 to support the Daniel Building Pilot Project**
- 2. That the 2002 funding requirements of the strategy be confirmed through the 2002 budget process and that future years' operating and capital budget requirements be subject to annual budget reviews .**

## **BUDGET AND FINANCIAL IMPLICATIONS**

The Draft 2002 Capital Budget has been prepared to reflect the new capital initiatives outlined in this report and subsequent contributions can be scrutinized by Council annually during budget reviews. Recommendation 2 is intended to clarify that a pre-committment against the 2002 Capital Budget is not being requested at this time but rather that the financial implications be weighed against other priorities at budget time.

The municipal capital strategy to promote the development of new affordable housing is a tangible step to move Council's stated affordable housing goal/priority articulated at the pre-budget planning

session to action. If, at the end of the 5 year program, the capital strategy has failed to stimulate the creation of new affordable housing, then the incentive funds are still available for other purposes.

The following table summarizes the financial implications of "Taking Charge: An Investment in Affordability".

Strategy	New Capital Requirements (dollars in thousands)				
	2002	2003	2004	2005	2006
1. Peterborough Affordable Housing Foundation					
a) interest redirection	-	-	-	-	-
b) operational grant	\$ 25.0	\$ 25.0	\$ 25.0	-	-
2. Affordable Housing Property Reserve Fund	75.0	75.0	75.0	75.0	75.0
3. Municipal Land Sales Revenue	-	-	-	-	-
4. Adoption of Central Area Community Improvement Plan	-	-	-	-	-
5. Central Area Conversion Loan Reserve Fund	\$ 100.0	100.0	100.0	100.0	100.0
6. Affordable Housing Partnership Reserve Fund	100.0	100.0	100.0	100.0	100.0
7. Municipal Incentive Policy (forgiveness fees)	-	-	-	-	-
8. Tax Assistance	-	-	-	-	-
9. Regulatory Reform/Municipal Housing Policy Statement Update	-	-	-	-	-
10. Daniel Building Pilot Project	200.0	-	-	-	-
	\$ 500.0	\$ 300.0	\$ 300.0	\$ 275.0	\$ 275.0

## **BACKGROUND INFORMATION**

### ***Housing has become a major responsibility of local government...***

2002 will be a milestone year for the City of Peterborough. On March 1, 2002 the City will assume administrative responsibility for approximately 2,200 residential units in the city and County. As Service Manager for the delivery of Social Housing services, the city becomes the largest manager of housing in the region and with the financial partnership of the County will provide an annual subsidy to the operation of the social housing portfolio in excess of \$7.0 million.

For many years the City elected not to be a direct provider of housing particularly during the 1980's and early 90's when new housing programs of the senior levels of government attracted many new non-profit housing partners. The Local Services Realignment program of the Province, however, has changed all of that. Housing, specifically social housing, is now part of the business of local government like never before.

To be clear, the management model adopted by the City to oversee our Social Housing responsibilities maintains the independence of all existing non-profit housing providers, including the Peterborough Housing Corporation. In this context the City is still not a direct provider of housing. Operational and project specific management decisions are still made by the Boards of existing providers. However, the financial integrity of the entire 2,200 unit portfolio, including the annual subsidy obligations, falls squarely on the Service Manager. Therefore, it is in the City's interest to be actively involved in the business of housing.

### ***Social Housing is Housing...***

There is a tendency to portray social housing as housing which only serves members of our community on some form of social assistance. In fact, this client group represents only approximately 20% of all households residing throughout the housing portfolio. The social housing portfolio serves a diverse population base and economic profile. The Peterborough inventory of social housing includes a substantial number of units specifically geared to seniors. Several of the units are made available at market rent levels. The residents of social housing are representative of a slice of whole Peterborough community. The distinctive characteristics of social housing are that it is affordable and decent. The majority of the units have rents which are geared to the incomes of the household and provide a level of affordability that the private for-profit market has not been able to produce without significant subsidy. So, in the end, **social housing is housing** and is an integral part of the whole range of housing opportunities a healthy community must ensure exists for its citizens.

### ***New Housing which is Affordable is a complement to the City's social housing responsibilities....***

In order to produce housing which is truly affordable to citizens with low incomes, some form of intervention or assistance is required. 'Affordable' rents are usually not sufficient to pay the carrying costs and the annual operating costs of new housing. Therefore, the social housing portfolio that the City will manage on behalf of the City and County will require an annual subsidy of approximately \$7.0 million, at least until the mortgage debt of individual projects is retired. It is understandable then that the City will be reluctant to produce new social housing, with an ongoing subsidy, until we better understand the financial risks of the housing portfolio the City and County are inheriting and until the senior levels of government are prepared to become major partners in housing again.

The reality, however, is that this wait-and see approach does nothing to address the current crises of affordability the City finds itself in. There are in excess of 1600 households on the waiting list for social housing units and the numbers have been steadily growing. Low supply and high demand means that the existing units rarely turnover. The prognosis for those on the waiting list is rather bleak.

There is, however, another option which is within the control of the municipality to pursue with a much reduced financial obligation. **In fact, the financial participation of the municipality can be characterized as an investment - as a stimulus to involve the for-profit and not for profit sectors in affordable housing partnerships.** Under this approach, it will be challenging to produce new units which meet the deepest affordability needs. However, the production of new affordable housing will make at least two (2) positive impacts on the current crisis in affordability:

1. New affordable supply will be attractive to those on the current waiting list who may not have deep affordability problems but still require a level of affordability that market rent housing just can't meet. When households on the waiting list secure their housing from a new supply of affordable units, households with the greatest need for social housing will get it sooner.
2. New affordable supply may be attractive to those living in social housing units today whose economic situation may have improved to the point where they are ready to move on. This effectively creates new supply in the social housing inventory.

New affordable housing is therefore complementary to the City's obligations in social housing and every attempt should be made to secure new allies in this cause. The theme of this report therefore is: **Taking Charge: An Investment in Affordability**

***Affordable Housing is a Goal/Priority of Council...***

At the pre-budget planning session held in the fall of 2001, City Council identified Affordable Housing as one of six (6) public policy goals/priorities to guide municipal actions and decision-making through 2002. The municipal policy and capital strategy outlined in this report is a tangible step to move Council's stated priority to action. This

report is a forerunner to a larger project that is presently being prepared by the Supply Sub-Committee of the Affordable Housing Action Committee. The AHAC report is a Strategic Plan for the Supply of Affordable Housing. However, many of the local responses to the broader issue of affordable housing supply require policy and financial decisions that only Council can make.

### ***Promoting Affordable Housing is Sound Public Policy...***

Partnering in the supply of new affordable housing directly responds to community needs and is at the same time, a wise business decision. There are a range of municipal financial incentives available that represent a relatively small amount of new capital, on a one time basis, but return considerably more to the City over time as when new housing projects become tax contributors. **Many of the incentives spur economic activity that would not have happened without them.**

Partnering in the supply of new affordable housing can reinforce the land use policy objectives of the City as represented by the Official Plan. The City's Official Plan promotes diverse neighborhoods meeting a wide range of housing needs and levels of affordability. Municipal programs encouraging the supply of affordable housing through out the City supports that community planning policy.

The Commercial Policy Review of 2000 confirmed the longstanding tradition of the City to encourage the Central Area as a vibrant commercial district and a place for people to find permanent housing. Where the new commercial policy differs from past policy approaches is the replacement of 'protectionist' policies in favour of the downtown with municipal commitments to invest in the livability of Downtown. Encouraging housing in the Central Area implements the Official Plan in a tangible way. If the new housing is also affordable, the City wins on a second front.

If, at the end of the day, the Municipal capital strategy has failed to stimulate the creation of new affordable housing, then the incentive funds are still available for other municipal priorities. If the funds have been fully depleted then the program has served its intended purpose with far less funding than would be required to support an equivalent supply of 'Social Housing'. There is, therefore, little financial risk involved.

### ***What is Affordable ...***

"Affordability" is a relative term. In order to establish a benchmark that has practical guidance, this Policy and Capital strategy accepts the definition of affordability endorsed by the Ontario Professional Planners Institute.

*"For housing to be affordable, a household should not spend more than 30 percent of their income on shelter costs. Generally, an affordable housing strategy should target those households whose income falls below the median household income in their community with a view to identifying and proposing solutions for those households in greatest need."*

The median income of all individuals in Peterborough, as reported in the 1996 Census, is \$18,255. 30 % of the median income is approximately \$5,500. The upper range of affordable shelter cost therefore, is \$460 per month, excluding taxes and utilities.

***The Policy and Capital Strategy has 4 simple parameters...***

The municipal policy and capital strategy has been developed around the following principles:

1. The new affordable housing will be built and owned by others.
2. The new housing will be sustainable, without an on-going municipal subsidy.
3. The municipal investment will attempt to move the housing to an accepted standard of affordability, unless the housing responds to a specific policy objective of the City.
4. The municipal investment will validate the community's support for individual projects thereby attracting the financial participation of the private sector, charitable causes, and other levels of government.

**Strategy 1 - Fully Support the new Peterborough Affordable Housing Foundation**

In May of 2000 the City hosted a Roundtable with civic, business and agency representative to consider the potential benefits of an Affordable Housing Community Trust Fund as an innovative way to support the creation of affordable housing. In fact, Council set aside contingency funds in 2000 to assist the development of a local Housing Trust. Since then, a committed group of volunteer professionals have regularly met to develop the concept further. In September of 2001 applications were filed to register a charity, to be known as the **Peterborough Affordable Housing Foundation (PAHF)** and to seek incorporation under the *Canada Corporations Act*. Approval of both applications is expected early in the new year.

The objectives of the Foundation are as follows:

1. To develop, support and provide advice on projects which enable affordable housing for persons of low and modest income in the City and County of Peterborough
2. To acquire and dispose of all manner of personal and real property in order to develop and support affordable housing
3. To cooperate with governments, organizations and individuals supportive of affordable housing and the objects of the Foundation

4. To do all such other things that may be incidental, ancillary or conducive to the attainment of the foregoing objects and the exercise of powers of the Foundation

The Peterborough Affordable Housing Foundation has the potential to be the prime funder and catalyst in the supply of new affordable housing and as a result would become a strategic business partner of the City. The Foundation has the potential to attract funding sources that are unavailable to municipalities and in particular private investors who have a heart for the Foundation's community cause. The Foundation will have an investment arm to demonstrate accountability to donors, funders and the community. It is envisioned that the Foundation will select projects to fund through an application process, supported by a business case. In this way, the Foundation becomes accessible to the whole community for qualifying projects.

It is not the intent of this report to fully detail the justification, potential and workings of the Foundation. The PAHF task force will make a presentation to Planning Committee on January 7, 2002 and a summary of their presentation is appended as Exhibit 1. The Task Force is deeply grateful to its business representatives Kawartha Credit Union, The Investors Group and Raycroft Financial Planning for their commitment to the project since inception and to Ian Attridge for legal guidance. The community owes a great debt to John Martyn for the initial vision and ongoing leadership.

The Municipal Capital Strategy recommends that the potential of the Foundation be validated by the following commitments:

1. **That the interest income of the Social Housing Reserve be directed to the Foundation for the next 5 years (with the potential for renewal) as a dedicated source of municipal funds.**

This interest income has, since the Social Housing Reserve was created approximately 4 years ago, been directed to General Revenues. The interest income would be more properly assigned to a housing purpose and the Foundation is a worthy housing cause. There is presently approximately 1.0 million dollars in the reserve. The interest earned represents an annual contribution to the Foundation of approximately \$35,000.

2. **That \$25,000 per year, for the next 3 years, be given to the Foundation for operational purposes to allow the Foundation to market itself, source new funds, secure administrative support and assist organizational activities.**

It is envisioned that the Foundation will require other funding partners in the initial years, however the municipal contribution will serve to validate the community regard for the potential of the Foundation and its objectives.

**Strategy 2 - Establish an Affordable Housing Property Reserve Fund and begin annual contributions of \$75,000 commencing in 2002.**

The City has maintained for many years a General Property Reserve to enable the purchase of strategic properties as they become available. The 2001 Capital Budget reflects a \$200,000 allocation to the General Property Reserve. Housing is a new business of the municipality and land is an essential component of housing. The demands on the General Property Reserve already exceed the available funding and to require this reserve to also secure the needs of the City's new housing responsibilities will over-extend the fund. A \$75,000 annual allocation, while modest, is a start to a fund that will be dedicated to the acquisition of property for affordable housing initiatives. It is envisioned that this reserve may be utilized directly by the municipality to land bank for future initiatives or as a direct municipal contribution to affordable housing projects developed under the Peterborough Affordable Housing Foundation.

**Strategy 3 - Direct Revenues from municipal land sales for 5 years, commencing in 2002, to the Affordable Housing Property Reserve Fund.**

While the City tends to purchase land far more often than it sells land there are prospects for land sales during the next 5 years. For example, resolution of the Transportation Plan may identify old road network corridors that no longer have validity. The Aylmer Street extension is an example. There would be, of course, sales exceptions to this strategy. For example, land sold under tax sale proceedings would be utilized to pay down outstanding taxes. Proceeds from the sale of lands acquired through parkland dedication must, under the *Planning Act*, be utilized for park purposes. The proceeds from the sale of industrial land are already committed to pay down the debt in the Industrial Land Reserve. In its early years, the Affordable Housing Property Reserve Fund will benefit from any possible revenue source available to build the fund.

**Strategy 4 - Adopt a Central Area Community Improvement Plan under the *Planning Act* to provide specific municipal authority to issue loans, grants, and tax incentives and other bonuses for new affordable housing projects qualified under a comprehensive municipal program.**

The *Planning Act* gives municipalities the opportunity to adopt community improvement plans in order to achieve a range of defined objectives that the municipality establishes. The *Act* allows a community improvement plan, once approved by the Minister, to override the municipal bonusing prohibition contained within the *Municipal Act*. This is a very significant provision.

The City has adopted approximately 4 community improvement plans in the last 15 years for the sole purpose of accessing provincial funds for downtown infrastructure projects. The first 3 years of the City's downtown streetscape project was substantially funded by the Province. The Province required the City to adopt a community improvement plan as a precondition to the flow of funding.

Other municipalities have used this section of the *Act* to extend loans and/or grants within the downtown to promote facade improvements. The City of Hamilton was one of the first centres to use the Community Improvement section of the *Act* to extend tax

incentives for the redevelopment of old, contaminated industrial sites. During the past year the province has promoted the use of Community Improvement policies by municipalities as part of their 'brownfields' initiative. This has sent a clear signal that the province is prepared to approve bolder municipal strategies that involve bonusing.

Anti-bonusing essentially means that a municipality cannot extend a financial benefit to one landowner that is not equally available to all owners. Similarly, a municipality cannot provide a benefit to a landowner or group within the municipality that drastically departs from accepted practice or beyond what would be reasonably expected. Under an approved community improvement plan, however, the municipality establishes the basis upon which it will extend a bonus and the rationale for it, through a public process as though it were an Official Plan Amendment.

Adopting a Community Improvement Plan for the Central Area to promote the creation of new housing, and affordable housing in particular, gives Peterborough the municipal authority to issue favourable loans and grants as well as provide tax incentives for such activities. Should Council endorse the initiatives in this report, staff will make the preparation of the Community Improvement Plan a departmental priority so that the incentives can be rolled out after budget approval.

As part of this review, staff will also consider the application potential of new provincial government policy allowing the designation of a 'municipal capital facility' to be applied to affordable housing. This allows the municipality to treat any affordable housing project so designated as though it were owned by the City. This would allow for the forgiveness of all development charges, building fees and taxes. The downside, however, is that a municipality must be prepared to accept a reversionary interest in the development in the event of financial difficulty. The initial assessment of municipalities is that the municipal capital facility idea is sound but the implementation can be flawed to the point where it doesn't work effectively.

**Strategy 5 - Establish a Central Area Conversion Loan Reserve Fund funded through five (5) consecutive \$100,000 contributions from the capital budget to promote and facilitate the creation of new rental housing units in existing building within the Central Area.**

Every urban design study conducted in Peterborough over the past 20 years has acknowledged the vast untapped potential of vacant or under-utilized floor space above the street level of many downtown buildings. There have been some successful conversions during that period, but the potential remains largely unmet. Within the Central Area are large buildings that have long outlived their original purpose but stand proudly in neighborhoods at the fringe of the commercial core. The old bread factory at the corner of Stewart and Sherbrooke Streets is an example.

Without question there are challenges to the conversion of this space that must be addressed in concert with the proposed Conversion Loan Program, such as parking regulations and taxation impacts. But staff have often heard that access to capital can be

a challenge as traditional lending institutions do not consider the investment in vacant downtown upper floor space to be as sound as other opportunities.

The objective of the Central Area Conversion Loan Program is to establish a self sustaining pool of capital that can be loaned to qualified projects at favourable interest rates to support the production of new rental housing in existing buildings. This program would target all rental units in the Central Area regardless of affordability because downtown housing supports the objective of the Official Plan for a healthy Central Area. The program can be tailored to provide a further discounted interest rate for projects that commit to a standard of affordability. Over 5 years the pool will build to \$500,000. As payments are made on loans, the fund rebuilds, allowing new projects to be considered.

Through the 2001 Capital Budget council approved a partnership with the Peterborough Community Housing Development Corporation to study the potential for conversions in the Central Area, to develop case studies around specific applications in cooperation with the landowners and to propose a basic structure for the loan program. A copy of the report is appended as Exhibit 2. Staff involved in the project and Peter Robinson of the PCHDC will be presenting the study findings at the Planning Committee meeting on January 7, 2002.

#### **Strategy 6**

**Establish the Affordable Housing Partnership Reserve Fund, funded at \$100,000 per year for 5 consecutive years, to pay the development charges for new affordable housing units throughout the City.**

Development charges - municipal, public utilities and education - create a substantial financial burden on a development that is attempting to meet meaningful affordability targets. For a small 1 bedroom unit of 450 square feet these charges can represent an additional cost of \$10/square foot. The bottom line is that the developer must build that cost into the rent charge. Under the Development Charges Act the City can not arbitrarily exempt certain classes of development, such as affordable housing, without first amending the DC By-law. This process can be involved and may be contested. Effectively, any exemption would transfer the equivalent amount of development charge to other classes of development. As the costs of growth do not decline just because exemptions have been granted the growth related costs facing the City would have to be spread over fewer units.

Therefore, the most forthright approach would be to acknowledge that the supply of housing, even though it is affordable, still imposes its share of the need for growth related projects. The Affordable Housing Partnership Reserve Fund acknowledges that the costs of growth must be fairly shared with our partners in the development industry. The fund therefore will pay into the Development Charge Fund the equivalent charge for projects that meet an acceptable standard of affordability for an agreed time period.

It is proposed that an 'interpretation policy' be established in tandem with this initiative to recognize, for the purposes of calculating a development charge, that two (2) very

small apartment units (less than 400 sq.m.each) constitute one apartment unit. This acknowledges that affordable units, out of necessity, are often small and that small units generally accommodate 1 or 2 person households. This would be consistent with the intent of the City's development charge.

### **Strategy 7**

**Adopt a Municipal Incentive Policy to run for the next 5 years, where planning application fees, building permit revenues, parkland fees and cash-in lieu of parking levies will be waived for qualifying affordable housing projects throughout the City.**

Municipal fees are really no different to the 'bottom line' than Development Charges and therefore the same rationale to provide incentive in this area applies. This policy will not result in the need for new capital. It will mean, however that certain municipal fees will be forgiven. It can be argued that without a bundle of incentives the housing would never be developed and therefore the real benefits outweigh the theoretical costs.

### **Strategy 8**

**Under an approved Community Improvement Plan for the Central Area, provide authority to grant tax assistance as defined in section 442.7 of the *Municipal Act* for properties that are redeveloped for housing purposes.**

The province has recently amended the *Planning Act* and the *Municipal Act* to grant municipalities the authority to provide tax assistance, such as a tax rebate, within a Community Improvement Project Area provided the relief does not exceed the cost of improvements made to land or buildings. The current tax structure tends to penalize investment by linking taxes payable to the value of buildings and property. There is a direct correlation between the investment to improve land or buildings for housing purposes, the corresponding increase in property value and, by consequence, an increase in the taxes payable.

This strategy would essentially allow the investment made to be 'offset' by forgiving the tax adjustment that would normally be expected as a result of the investment. The impact of this incentive can be significant. The developer of the former Bread Factory at Stewart and Simcoe Streets has advised that if development charges were not payable and no tax increase was experienced as a result of the major capital improvements made, the rents of all 30 affordable units in the project could be reduced by an extra \$80.00 per month. In this particular case, the rents for the units are already guaranteed to fall within the 'affordable rent' definition of CMHC. However, the extra \$80.00 reduction would allow the unit rents to fall within the shelter allowance of those on Social Assistance.

The relief available through this strategy therefore has two (2) positive benefits:

1. The tax assistance becomes an incentive to invest in new housing
2. The tax assistance can be utilized to achieve greater levels of affordability

Like many other incentive programs, there is no ‘cost’ to the City to be proactive. The sites and/or buildings sit underutilized today and make a tax contribution that reflect their depressed value. Without any incentive to invest, the situation would be unlikely to change. While the municipality forgoes the tax increases of redeveloped property in the short term, the investment has spawned economic activity, produced much needed housing, revitalized building stock and neighborhoods and will eventually contribute a higher level of taxation.

There are other applications of this strategy within the Central Area that would be in harmony with the land use policies in the Official Plan. There are a few prime downtown properties that could benefit from similar tax assistance as a way to lever redevelopment for retail, office and hospitality uses as well as residential uses.

### **Strategy 9**

#### **Amend the Zoning By-law to correct impediments to the production of new housing in the Central Area. Update the 1991 Municipal Housing Policy Statement**

Many of the strategies outlined above would be even more effective with regulatory reform. For example, the zoning by-law regulates the supply of on-site parking according to the number of units on a property. The zoning regulations do not presently provide built-in relief for units which are ‘affordable’ even though the experience shows that the need for parking decreases. The *Planning Act* permits the City to accept cash-in-lieu of parking spaces on the basis that the funds are used to provide other parking alternatives. The current policy for cash-in-lieu has established a value of \$4,000 for each deficient parking space - a cost which often makes a residential project no longer viable. The policy could be revisited to provide for a nominal charge only where the units meet an accepted standard of affordability. This is but one example of the potential of regulatory reform.

The Municipal Housing Policy Statement is a key municipal expression of the community’s housing objectives. It was last reviewed in 1991. The housing environment has radically changed since then and therefore a full update is timely and necessary.

### **Strategy 10**

#### **Provide a one-time capital contribution of \$200,000 to support the Daniel Building (Woollen Mill) Project**

A golden opportunity has emerged to test the effectiveness of this **Investment in Affordability** strategy. Fleming College has generously offered to give the City the Daniel Building on McDonnell Street at no cost. The physical structure and its location make it an ideal candidate for housing. The neighbourhood has outstanding amenities and the site is situated within walking distance of the downtown. There is currently an architectural assessment in progress to demonstrate the housing potential of the building and site. However, the present building is of sufficient size to support 30-40 units.

The building potential for housing has also been assessed by a consultant experienced with adaptive re-use projects and in particular projects which have attracted CMHC funding. We are satisfied that the building structure is ideally adaptable to residential use and there is a real potential for innovative funding partnerships. In fact, staff have considered the potential of this project to fit new and exciting program partnerships with Social Services and HRDC.

It is recommended that council establish a \$200,000 capital budget for project development purposes and to lever other funding possibilities. This would be a one-time capital allocation, or seed funding, and likely represents less than 10% of the total capital required to realize a total redevelopment. The project would be delivered by a community partner and not the City.

## **CONCLUSION:**

Taking Charge: An Investment in Affordability is being brought forward because the senior levels of Government have systematically withdrawn their participation in housing. The so-called Local Services Realignment may have exchanged the funding and administrative responsibilities for certain services, including Social Housing, but it also has become a convenient vehicle for the province to abandon its support for a new social housing supply. By default, it becomes Peterborough's responsibility. While it is difficult to accept the financial burden and the lack of fairness it represents, it has never been Peterborough's position to ignore its responsibility.

Taking Charge: An Investment in Affordability seeks to attract new partners to share in this new local responsibility. It represents good business and sound public policy. It actions a stated priority/goal of City Council.

Respectfully submitted

Malcolm Hunt, Director      Counsellor Henry Clarke  
Planning & Development Services      Chair, Housing  
MH:ch

Exhibit 1      Peterborough Affordable Housing Foundation (Summary)  
Exhibit 2      Central Area Conversion Loan Program

## **CONTACT NAMES**

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City of  
**Peterborough**

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**TO:** The Chairman and Members of the Planning Committee

**FROM:** Malcolm Hunt, Director, Planning & Development Services

**MEETING DATE:** March 17, 2003

**SUBJECT:** Report PL03-022  
Taking Charge: An Investment in Affordability – Part 2

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## **PURPOSE**

A report to identify the appropriate legal instrument for the implementation of the financial incentives of the 'Taking Charge – An Investment in Affordability' policy and to recognize the Peterborough Community Housing Development Corporation as the Community Land Trust for the City of Peterborough.

## **RECOMMENDATION**

- a) That council authorize the Planning Division to commence a formal process to update section 8.3 of the Official Plan to recognize that the provision and renewal of housing, especially affordable housing, within the defined area of Community Improvement is a strategic planning action of the city.
- b) That the area of Community Improvement illustrated on Schedule H of the Official Plan be considered a 'project area' for 'Affordable Housing' purposes and that a Community Improvement Plan be prepared to extend many of the financial incentives of the 'Taking Charge' policy to this geographic area.
- c) That council utilize the processing of a Community Improvement Plan to define the 'Central Area' (Schedule J) as a distinct sub-project area of the larger Community Improvement project area in order to provide a broader range of incentives to stimulate

the creation of all new forms of housing and to also address other potential programs the city may elect to institute in the future to support existing policies of the Official Plan.

- d) That a Municipal Capital Facilities by-law be passed recognizing affordable housing as a class of capital facilities in accordance with section 110(1) of *The Municipal Act*.
- e) That council authorize staff to develop a draft operating practice and governance model with the PCHDC to become the Community Land Trust.

## **BUDGET AND FINANCIAL IMPLICATIONS**

There are no direct budget implications arising out of this matter that have not already been identified in Planning Report PL 02-001. This report defines an implementation strategy and the geographic parameters for the financial incentives arising out of the City's 'Taking Charge' affordable housing policy.

## **BACKGROUND**

### **Taking Charge – Part 1**

In January of 2002 (Planning Report PL 02-001) City council adopted a milestone policy initiative to support the provision of new affordable housing. Council reinforced the policy with an Affordable Housing capital strategy in the 2002 capital budget. The 'Taking Charge' policy is often referred to as Peterborough's '10 point plan'. In summary, the 'Taking Charge' policy is as follows:

- a) Support to the Peterborough Affordable Housing Foundation:
  - i.) \$25,000 for the next 3 years for organizational support.
  - ii) Dedication of interest earned from SH Reserve for next 5 years (\$35,000/year).
- b) Establish an Affordable Housing Property Reserve Fund (AHPRF) and contribute \$75,000 per year.
- c) Direct revenues from City land sales for next 5 years to AHPR Fund.
- d) Adopt a Central Area Community Improvement Plan to provide municipal authority to 'bonus' qualified affordable housing projects.
- e) Establish a Central Area Conversion Loan Fund of \$100,000 for 5 years.

- f) Establish the Affordable Housing Partnership Fund and allocate \$100,000 for 5 years to pay Development Charges.
- g) Adopt a Municipal Incentive Policy for the next 5 years for qualified affordable housing projects – no municipal planning, parks and building permit fees.
- h) Agree to grant tax relief for qualified affordable housing projects.
- i) Direct a review of the zoning by-law to remove impediments to the creation of new affordable housing in the Central Area.
- j) Provide a capital grant of \$200,000 to seed the development of ‘The Woollen Mill, council’s signature project of the ‘Taking Charge’ policy.

In the fall of 2002, council reaffirmed its commitment to the ‘Taking Charge’ policy by establishing Affordable Housing as a Public Policy priority of the City of Peterborough. The 2003 Capital Budget reflects the Year 2 funding requirements of ‘Taking Charge’.

## **Taking Charge – Part 2**

While the 10–point plan sets out the policy basis for the City’s incentive program there are certain incentives which require an appropriate legal instrument for implementation. For example, for the City of Peterborough to give tax relief, grants or loans to a type of development, in this case affordable housing, that is not available to all development runs counter to the ‘bonusing’ prohibition under *The Municipal Act*. To overcome the conflict with *The Municipal Act* council has two (2) remedies available.

Under section 28 of *The Planning Act* the province has set out the authority for municipalities to designate community improvement project areas and adopt community improvement plans. This is done through a formal planning process involving public notice, a public meeting and the right of appeal. The Community Improvement Plan (CIP) can identify the financial participation of the city in fulfilling its’ community improvement objectives through such incentives as the issuance of grants or loans. Once the CIP is approved by Council and the Minister, the city has secured the authority to ‘bonus’. This section of the Planning Act is not new, however the province is actively promoting its use as another ‘tool’ in the municipal ‘tool box’ to stimulate economic renewal and growth. This is a signal that the Minister is prepared to allow municipalities to be more creative.

The second remedy available is to rely on a recent amendment to *The Municipal Act* which added ‘housing’ as a class of municipal capital facilities. *The Municipal Act* allows a municipality to provide assistance to private sector partners for certain types of facilities. *The Act* allows the municipality to create the same conditions as would be in place if the municipality provided the facility itself.

The city does not have to pay property tax or development charges for its own facilities. The regulation allows the city to extend these conditions to the private sector to build affordable housing. The assistance the city may provide includes:

- \* Loans at favourable interest rates or grants
- \* Land, including giving, selling or leasing, at less than market value
- \* Full or partial exemption from property taxes, including education tax share
- \* Full or partial exemption from development charges (DC), excluding education DC's

Since the adoption of the 'Taking Charge' policy in January of 2002, staff has been waiting for the province to release details about the new Federal-Provincial housing capital grant program. In December of 2002 the Province announced the qualifying conditions under the new Community Rental Housing Program including:

- \* Property taxes for new rental buildings receiving funding must be set using the single family rate or lower.
- \* Passage of a By-law designating affordable housing as a municipal capital facility. Council can choose, however, whether or not to offer greater tax relief and loans or grants to specific projects being funded under the Community Rental Housing Program.

All of the relief extended to projects counts towards the municipal contribution share. In the Federal/Provincial program, a maximum Federal grant contribution of \$25,000 per unit must be matched by the combined contributions of the Province and municipality. The province has only agreed to fund up to \$2,000 per unit through a sales tax rebate. Regardless of how insignificant the provincial contribution truly is, the qualifying conditions to access the capital program are consistent with the City of Peterborough's intentions under the 'Taking Charge' policy. The bonus is that the city's contribution now can allow a project to access up to \$25,000 per unit in new Federal capital funding.

## **A Community Improvement Plan or Municipal Capital Facility?**

Affordable housing is housing. Housing is the nucleus of neighbourhoods and the essential land use in a community. Therefore, when a city elects to invest in housing it should do so in a strategic way – to revitalize neighbourhoods and build community. First and foremost 'Taking Charge' should become a community planning strategy for Peterborough and not just a financial tool to create affordable housing. When viewed in this context, the best instrument to implement the financial incentives so integral to 'Taking Charge' is a Community Improvement Plan processed under Section 28 of the *Planning Act*.

Section 8.3 of the city's Official Plan includes several policies dealing with community improvement. The policies implement a 1980's view of community improvement with an emphasis on the upgrading of hard services such as sidewalks, service connections and other forms of infrastructure. Twenty years latter, however, the city is wrestling with larger social

issues, with an absence of infrastructure funding from senior levels of government and has been squarely thrust into the housing mandate.

Furthermore, the Official Plan also includes, as Schedule ‘H’, a depiction of an area of Community Improvement which includes most of the city as it existed 50 years ago. Schedule H is appended as Exhibit A. This area is particularly relevant today.

It is recommended that council authorize the Planning Division to commence a formal process to update section 8.3 of the Official Plan to recognize that the provision and renewal of housing, especially affordable housing, within the defined area of Community Improvement is a strategic planning action of the city.

It is further recommended that the area of Community Improvement illustrated on Schedule H be considered a ‘project area’ for ‘Affordable Housing’ purposes and that a Community Improvement Plan be prepared to extend many of the financial incentives of the ‘Taking Charge’ policy to this geographic area.

It is also recommended that council utilize the processing of a Community Improvement Plan to define the ‘Central Area’ (Schedule J) as a distinct sub-project area of the larger Community Improvement project area. (Exhibit B) Within this smaller area the intent would be to provide a broader range of incentives to stimulate the creation of all new forms of housing because this reinforces the planning objective to create a healthy and vibrant Central Area. This sub-project area would also address other potential programs the city may elect to institute in the future to support existing policies of the Official Plan developed through the Commercial Policy Review process, specifically:

- \* Grant or loan programs for main street façade, building rehabilitation and signage improvements (4.3.2.2.2)
- \* Tax incentives to encourage the redevelopment of Waterfront Commercial properties (4.3.2.2.3)

While the Community Improvement Plan approach allows the city to implement the financial incentives of the ‘Taking Charge’ policy in a more holistic manner, participation in the Federal-Provincial program may demand the more expedient approach of the Municipal Capital Facility. The province appears to be firm on the adoption of a general capital facilities by-law to recognize affordable housing as a precondition of the flow of any money to the City as the Service Manager under the new program. The by-law will define ‘affordable’ for the purposes of Community Rental Housing funding – a definition that the city already established by policy. It appears however, that Council maintains the choice of whether to enter into municipal capital facility agreements for specific projects.

A municipal capital facility by-law recognizes affordable housing created by the Federal-Provincial program. In reality, however, there is little financial exposure to the city in passing the by-law simply due to the fact that Peterborough will only get a relatively small unit allocation under the new program with a substantial share of the allocation being represented by the Woollen Mill. Therefore, it is recommended that a Municipal Capital Facilities by-law be passed

recognizing affordable housing as a class of capital facilities in accordance with section 110 (1) of *The Municipal Act*. A draft by-law is appended as Exhibit C.

In summary, the preferred implementation approach is as follows:

<b>Planning Strategy</b>	
<b>Community Improvement Plan</b>	<b>Municipal Capital Facility</b>
<p>Schedule H as a CIP Project Area:</p> <p>Proposed incentives include:                      By-law passed to set tax rate for <i>new</i> multi-residential buildings at the single family rate within the CIP Project Area                      Municipal Incentive Program                      Affordable Housing Partnership Fund                      Tax Incentive Program such as tax relief to the value of renovation/rehabilitation</p>	<p>By-law has city-wide application but agreements which extend financial incentives are entered into on a project-specific basis. Likely to have very limited application due to funding constraints of the Federal-Provincial program.</p> <p>Permissible incentives include:                      Loans at favourable interest rates or grants                      Land, including giving, selling or leasing, at less than market value                      Full or partial exemption from property taxes, including education tax share                      Full or partial exemption from development charges (DC), excluding education DC's</p>
<p>Schedule J as a Sub-Project Area within the CIP Project Area Above:</p> <p>Enhanced incentive include:                      Central Area Conversion Loan Program                      Façade Improvement Program                      Tax Incentive program for Waterfront Redevelopment</p>	

### **Establishing a Land Trust**

The City of Peterborough and the Peterborough Community Housing Development Corporation (PCHDC) have been exploring the feasibility of a community land trust for Peterborough in order to hold land in perpetuity to maintain housing affordability. In fact, council has already turned over a building lot at the southwest corner of Park and Romaine for eventual inclusion in a community land trust. In this way the lot is never ‘sold’ outright and is held in the public trust, protecting the public investment in it. Land may represent 25-35% of the cost of a housing unit. If the land value is removed from any up front financing obligation or if payment can be deferred until equity is built up in the ‘building’ component, housing can, in theory, be perpetually affordable.

One of the original objects of the PCHDC is to become a land trust. Up until now, the PCHDC has been the only new developer of truly affordable housing and it has been relatively easy for the city to deal directly with the PCHDC on surplus land issues. The recent formation of a local Habitat for Humanity affiliate and the potential for new housing opportunities by new providers under the Federal-Provincial capital program suggests that the city may be requested by a number of parties to provide land for worthy housing projects. The ideal arrangement would be

for the city, when a parcel of land becomes surplus to its requirements and council wishes it to be used for affordable housing purposes, to turn the property over to the Land Trust. The Land Trust then can act in the public interest to make the land available for affordable housing purposes that are in keeping with the objectives of the Trust. The Trust would need to establish an open and fair selection process on behalf of the community and may even permit another ‘developer’ to take title to the property where it can be assured the land component ensures the unit(s) remain affordable over the long term.

In such an arrangement a community-based trust establishes priorities for the land in its care on behalf of the community and removes council from the awkward position of having to potentially choose from many worthy but competing demands. It is therefore recommended that council authorize staff to develop a draft operating practice and governance model with the PCHDC to become the Community Land Trust. One of the first projects of the PCHDC in this new role might potentially be the Woollen Mill validating the transfer of the property from one public body, Fleming College, to another (the City) for eventual transfer to PCHDC as the Community’s Land Trust.

## SUMMARY

Approval of these recommendations will continue Council’s strong support for and leadership in the field of Affordable Housing. The housing community has responded positively to the tangible evidence that the City of Peterborough is doing what it can to respond to the local crisis in affordability. These recommendations action the policy directives of the ‘Taking Charge’ policy.

All of which is respectfully submitted,

Malcolm Hunt, Director  
Planning & Development Services

Attachments: Exhibit A: Schedule H – Community Improvement  
Exhibit B: Schedule J – Central Area Land-Use Plan  
Exhibit C: By-Law

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