

Staff Report



To	City Council
Service Area	Infrastructure, Development and Enterprise Services
Date	Tuesday, February 28, 2023
Subject	City of Guelph Housing Pledge: For Guelph, By Guelph

Recommendation

1. That the City of Guelph Housing Pledge to facilitate the construction of 18,000 units by 2031, attached as Appendix "A" be approved; and
 2. That the Mayor be authorized to submit the final Municipal Housing Pledge to the Minister of Municipal Affairs and Housing and those copied on March 1, 2023.
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Executive Summary

Purpose of Report

The Minister of Municipal Affairs and Housing issued a letter on October 25, 2022, revised February 13, 2023, concerning the Province's Bill 23, More Homes Built Faster Act, 2022. The letter states that to implement the 1.5 million homes target, the Minister is asking the City of Guelph to demonstrate its commitment to accelerating housing supply by developing a Municipal Housing Pledge and taking the necessary steps to facilitate the construction of 18,000 new homes by 2031.

The (revised) deadline for delivering the City's pledge to the Minister is March 22, 2023.

This report provides the City's pledge and outlines City-led strategies and actions as well as key considerations to accelerate supply for a housing target that exceeds the projections for the period to 2031.

Key Findings

The City of Guelph is committed to facilitating the provision of new housing units. This commitment is evident through the City's Strategic Plan and Community Plan. We are very much aligned with the Provincial desire to increase the housing supply.

The Housing Pledge outlines the strategies and actions that the City will or has adopted to prioritize and accelerate housing supply. The pledge recognizes that the development community and other levels of government are necessary partners in achieving the creation of new units through construction activity and other supports.

The housing target of 18,000 new homes by 2031 exceeds projections by 6,100 units and would require construction of over 2,000 units per year to 2031 to meet

the target by 2031. This level of construction has never been experienced in Guelph before.

The City's Growth Management Strategy and OPA 80 designates land to meet the 2051 growth target and, once OPA 80 is in effect, enough land is designated to meet the housing needs of a population of 208,000. The City's master plans address servicing for this level of growth over the long term. Guelph has been planning for intensification, streamlining development approvals, and completing master plans that maximize the quantum of housing units that can be provided in a given area of the city.

The impacts of growing at a higher rate than planned are primarily on the City's ability to provide and fund services to accommodate additional growth in the period to 2031 not anticipated through the City's master plans. This ability is limited by the development industry's project timing, Provincial processes, and Bill 23's restriction of the City's ability to collect development charges.

The housing target is not just for the City to achieve; it requires support from the Province, the development community, public agencies and partners.

Strategic Plan Alignment

This report supports the priority area of Building our Future, specifically increasing the availability of housing that meets community needs. This report is also connected to Sustaining our Future where we aim to plan and design an increasingly sustainable city as Guelph grows. Lastly, there are connections in this report to Working Together for our Future as we consider the financial impacts and role of other community partners in increasing housing supply.

Financial Implications

Accelerating housing supply will require consideration of advancing infrastructure projects to ensure that servicing is available to accommodate the new units. The Council-approved Growth Management Strategy and the Official Plan set out where growth is to occur. To accelerate these plans will require analysis of master plans, servicing requirements, and timing to understand what is achievable. Once this is complete, the City can then assess the financial implications associated with revisions to the staging and timing of capital projects and evaluate the fiscal capacity and partnerships that are required to execute it.

There is significant risk to the City in taking on the cost of servicing of both greenfield and intensification areas up-front without cost sharing partnerships with developers.

Growth revenue sources have decreased with changes to Development Charges, Parkland Dedication, and Community Benefits Charges made through Bill 23. The changes made to these revenue sources as a result of Bill 23 are outlined in report [2022-349 Analysis of Bill 109 \(More Homes for Everyone Act, 2022\) and Bill 23 \(More Homes Built Faster Act, 2022\)](#). While the changes to Parkland Dedication and Community Benefits Charges are impactful and significant in terms of the City's resources to help build complete communities, the most significant impacts of Bill 23 on the City's resources to service land for development are the changes to the Development Charges Act.

Staff will continue to progress with the Development Charges Background Study Update using assumptions based on the planning and master planning work that

has already been completed. Staff will consider a mechanism for reporting accelerated priorities, using the forecast to 2051 as the baseline against which plans to fast track certain developments will be measured.

Report

The Minister of Municipal Affairs and Housing issued a letter on October 25, 2022, revised February 13, 2023, (Attachment-2) concerning the Province's Bill 23, More Homes Built Faster Act, 2022. The letter states that to implement the 1.5 million homes target, the Minister is asking the City of Guelph to demonstrate its commitment to accelerating housing supply by developing a Municipal Housing Pledge and taking the necessary steps to facilitate the construction of 18,000 new homes by 2031. The target for Guelph supports the Province's goal of building 1.5 million homes over the next 10 years.

The (revised) deadline for delivering the City's pledge to the Minister is March 22, 2023. The pledge is to be accessible to the public and as such it will be posted on the City's website. It will also be used by the Province to monitor and track progress.

The recommended approach for the Housing Pledge is to remain high-level, strategic, and focus on the items that the City is already doing well and on those items that the City will undertake to enable the Province's goal of building more homes faster, while also highlighting areas that will require further collaboration with the Province and commitment from the development community.

The Housing Pledge (Attachment-1) focuses on two key areas: policy and initiatives that the City has undertaken or can undertake to support the supply of housing, and the City's request to the Province to help with support to this pledge.

City Commitments for Housing Pledge (Implementation Plan)

The City is well-positioned to support the Province's goal of building more homes through the following ongoing initiatives:

- Continuing to implement the Official Plan (e.g., focusing growth in Strategic Growth Areas, detailed planning for Secondary Plan areas), finalizing and approving the Comprehensive Zoning By-law Review to provide more flexibility and increase densities and heights in support of building more homes faster.
- Removal of exclusionary zoning permissions.
- Continuous improvement and streamlining the development approvals, utilizing the Streamlining Approvals grant to the City of Guelph, applying LEAN principles and the introduction of better digital tools for reviewing applications.
- Continuing to plan for and deliver essential infrastructure and services through well-planned, fiscally-responsible, and climate resilient capital projects and associated programs that take into consideration existing and future residents.
- Supporting the recommendations of the master plans and focusing on the Downtown Renewal Infrastructure project.

The following outlines considerations, barriers, gaps and risks of the Province's housing target for Guelph and in accelerating housing supply over the next 10 years.

Constraints and Considerations

Policy and Housing Supply

The City's Official Plan supports the creation of complete communities through a focus on the achievement of a well-designed, compact, and vibrant city that provides convenient access to meet people's needs for daily living throughout their lifetime by providing a full range and mix of housing types and densities to accommodate a range of incomes and household sizes. This is accomplished through designating lands for housing to meet the needs of a population of 208,000. The City has been diligently planning for intensification.

The municipal housing target assigned to the City (18,000 units by 2031) exceeds the projections to the year 2031 by 6,100 units. Since 2008, the average annual residential permits has been 981; the industry would have to apply for 2,000 units per year to meet the target. This converts to an increase of 750 units per year to 2026 and 470 units per year from 2026-31 (using the forecast recently approved by Council for the growth management strategy). This target exceeds the highest permit years in the past 20 years by 400 units. This level of construction has not been experienced in Guelph in recent decades.

The City's short-term supply of housing, which includes units on lands that are zoned, sites in draft approved and registered plans of subdivisions, is 6,345 housing units, of which 3,500 could be brought to market in the next few years. When considering the total housing supply, including the short-term supply and lands that are designated and available (long-term), there is currently potential for 14,900 units. These numbers will increase with approval of the City's Official Plan Update, the Clair-Maltby Secondary Plan and the Comprehensive Zoning Bylaw Review. Further, the advancement of the residential lands within the Guelph Innovation District Secondary Plan has the potential for approximately 3,290 additional housing units. Overall, servicing is required to advance development of these units, particularly those that are within lands that are designated and available.

The Growth Management Strategy and OPA 80 designate land to meet the 2051 growth target. Once OPA 80 is in effect, enough land is designated to meet the housing needs of a population of 208,000. The impacts of growing at a higher rate than planned would be on the City's ability to provide and fund services to accommodate that growth in a time period that was not anticipated through the master plans.

The City has experienced low vacancy rates for many years. The rate for October 2021 was two per cent and has declined to 1.5 per cent in October 2022 ([CMHC, Rental Market Report 2022](#)). This remains below a balanced and healthy vacancy rate of three per cent.

Census data shows that the percentage of households renting dwellings has increased from 32.7 per cent to 34.1 per cent between 2016 and 2021. The number of people who changed residences in Guelph in the five-year period prior to the 2021 Census increased by 9.7 per cent and among those who changed residences, 59 per cent of those people moved to Guelph from outside the city. This figure is up from 43.7 per cent in 2016.

Infrastructure and Servicing

Essential services such as water and wastewater must be delivered to support the required growth. Essential services are delivered through infrastructure such as roads and pipes. Construction of 18,000 new housing units by 2031 will require construction of new pipes and roads, as well as reconstruction and upsizing existing infrastructure.

Under standard practice, Guelph completes master plans to ensure responsible provision of public services like water supply, wastewater treatment, solid waste management, stormwater management and more. Master plans are completed following the Provincially regulated Environmental Assessment process. Master plans ensure the infrastructure needs to support growth and the existing population are planned and aligned in a fiscally responsible way that matches human resource capacity to deliver the required capital projects and associated programs.

With the addition of 6,100 more units than planned by 2031, City staff will need to determine the impact to project prioritization and the timing of key projects that are required to unlock growth.

There are positive outcomes to building new infrastructure, particularly from an economic development perspective. As businesses continue to recover from the impacts of COVID-19, increasing demand on the construction market and associated trades and supply chain will create a positive local economic stimulus impact in Guelph, including the creation of new jobs.

There are also numerous challenges and limitations from an infrastructure and servicing perspective:

- Supply chain and markets for materials used in construction are still unstable as a result of COVID-19 and other world events. Increased demand will further strain the supply chain and may cause longer lead times for items, thus delaying construction project timelines.
- There is a limitation in the number of skilled trades and contractors that construct new infrastructure. Their services will be in high demand as many contractors work in multiple municipalities. Increased demand for limited contractors will likely result in price escalations beyond those related to inflation. This will cause pressure on the City's budget, particularly as development charges are set to reduce the services these funds can support.
- Design and construction of new infrastructure will also create pressure on the professional engineering profession and other areas such as project management, surveying, inspection, contract administration, water and wastewater operators, planners, building services, legal services and purchasing services. Complex design work will need to be completed faster, which will have a similar supply and demand impact as contractors in trades, meaning that costs for services are likely to increase with demand on a limited pool of professionals. Further, utility locate delays are anticipated to be a concern and to improve these services, Bill 93 will need to be effective.
- To get applications approved more quickly, there is likely to be pressure on relaxing planning and engineering standards, accepting substandard designs and the resulting levels of service generated from review of planning applications. This may produce undue professional risk, ethical dilemmas for professionals, and risks to the end user of infrastructure. Examples of risks

could include sanitary surcharging, flooding, noise, water pressure, fire prevention, environmental impact, etc.

- Areas of Guelph that are critical to achieving the housing supply, such as downtown and GID, are either not yet serviced or are not serviced to meet the demand caused by growth. It will take time to construct these services and the construction will have a short-term disruptive impact to the community. Provision of essential services is a requirement of the City's zoning bylaw; building permits for new growth cannot be granted until services are adequate and available.
- The cumulative fiscal impact of the challenges above will compete with the fiscal impacts of the city's existing infrastructure renewal needs to keep services in a state of good repair. Guelph's 2020 asset management plan forecast nearly a \$290 million infrastructure backlog and the need to maintain over \$4 billion in total assets. If efforts are focused more towards growth-related infrastructure, the City expects to deal with more emergency repairs and service disruptions from failure of existing infrastructure already past its lifecycle.
- City staff are already operating at the maximum capacity as it relates to delivery of capital projects as outlined in the [Capital Program Resource Strategy](#). More human resources will be required to deliver more capital projects faster. Similarly, once more housing is built faster, the City will need other resources (e.g., more garbage collection, more fire, police and paramedic services, more recreation and park services).
- Compliance with Provincial regulations takes time. Examples of processes that are time consuming include Environmental Assessments (EAs), consultation, excess soil management, planning application appeals, permits to take water (PTTW) and so on. For example: Development of new water supply capacity, as identified in the Water Supply Master Plan, is a lengthy process dependent on Class EA and PTTW processes which can constrain, limit, delay or even prevent successful development of new water supplies.
- Water supply; the City has initiated several water supply projects to address short-term growth and demand. The water supply forecast will need to be monitored against the progress towards Bill 23 to determine if any new supply is required to service future populations to 2031. Presently, no new supply is anticipated under the Water Supply Master Plan projected growth rates until 2036.
- Wastewater treatment capacity; the City's water resource recovery center (or wastewater treatment plant) is planned to increase capacity in two phases. The first phase is underway now and is scheduled for completion in 2027/2028. This means the City's sanitary system won't have added treatment volume capacity until 2028, which could become a limiting factor to meet this new rate of growth. Phase 1 is already on an aggressive schedule and Phase 2 upgrades aren't scheduled until 2038.
- There are other services required to support new housing starts that are supplied by third parties such as electricity, natural gas, telecommunications, etc., and the capacity of these third-party suppliers needs to be considered.

Transportation

The increase in housing supply will have an impact on the City's transportation network. More residents moving to Guelph puts increased pressure on the transportation network before planned service improvements to transit come

online, and before improved active transportation infrastructure and services are fully delivered. To ensure alignment with the principals of Guelph's Transportation Master Plan (TMP), City staff will continue to advocate for the delivery of two-way all day GO rail service, improvements to Highways 6 and 7, funding for transit (both local and interregional), funding for active transportation, and funding for the state of good repair for connecting links and other roadways.

Increased construction of the infrastructure services required to support growth needs will present disruptive impacts to the transportation network. The City must balance disruption to emergency services, police services, transit and goods movement to protect public safety and reduce economic impacts. City staff will also need to consider impacts to services like parking through the forthcoming Downtown Parking Master Plan.

The TMP recommended a prioritization of corridor improvements based on how well they address equity, safety, connectivity, sustainability, and affordability. Prioritizing the needs of new development negates the savings made by combining lifecycle renewal projects with implementing the TMP recommendations. This is particularly true for the City's efforts toward Vision Zero, cycling network implementation and sidewalk connectivity.

City-wide Resources

The attached pledge impacts many other resources if there is solely a focus on housing without the supports by other levels of government, agencies and partners. Housing is one element in a complete community but left in a vacuum it will not generate our vision for the city. The recent master plans and Official Plan update plan for our population to 2051 would support the pledge number of 18,000 units. However, the accelerated timing causes concerns for other infrastructure and services that support the city. The anticipated surge in new housing units would impact City staffing, such as creating increased need for building inspectors, and the need for additional paramedics, long term care facilities and transit drivers. If we are anticipated to double our new housing starts for each year over the next ten years, there will also be a need for additional funding of health care workers, public health and social services to address the proposed increase in population.

We are also asking the Province to fund post-secondary housing, affordable housing and supportive housing to ensure the housing continuum is met. With the proposed increase in population we will need the acceleration from various ministries to advance schools, our hospital and social services.

Financial Implications

Accelerating housing supply will require consideration of advancing infrastructure projects to ensure that servicing is available to accommodate the new units. The Council-approved Growth Management Strategy and the Official Plan set out where growth is to occur. To accelerate these plans will require analysis of master plans and servicing requirements and timing to understand what is achievable. Once this is complete, the City can then assess the financial implications associated with revisions to the staging and timing of capital projects and evaluate the fiscal capacity and partnerships that are required to execute it. Consideration must be given to sequencing of projects that impact existing transportation routes and contractor capacity to execute projects.

There is significant risk to the City in taking on the cost of servicing of both greenfield and intensification areas up-front without cost sharing partnerships with developers, as serviced land is more valuable than un-serviced land and this may increase land speculation. This could place the City in the position of having to service debt costs associated with growth infrastructure without the associated development charge revenue to pay for it, requiring tax and ratepayers to fund growth-related debt servicing costs while not increasing the number of homes in the community.

The Municipal Comprehensive Review (MCR) fiscal impact assessment presented to Council in March 2022 identified a number of fiscal constraints that would need to be overcome in order to accommodate future growth in the city.

These constraints include:

- Cash flow constraints - The revenue related to growth usually comes after the infrastructure is required and the costs are incurred.
- Debt capacity - The City is limited on the amount of debt that it can take on as a percentage of revenue. The required infrastructure is very costly and the City would exceed its debt capacity limits if it funded all of it alone.

To help mitigate these pressures the MCR fiscal impact report recommended potential financing options. These include:

- Require new development to prepay development charges or front-end projects for roads, water, and wastewater services to minimize debt risk for the City.
- Consider additional agreements with developers to contribute towards or fund capital projects required for growth. Through these agreements, there is less reliance on growth-related debt to fund the capital program, which would provide a positive impact on the City's debt capacity.
- Delay capital expenditures and/or growth to minimize any cash flow issues.

The decrease in growth revenue streams from Bill 23 will put further pressure on tax and rate revenues to support future infrastructure growth. This negatively impacts the City's objective of having growth pay for growth to the largest extent possible. The changes made to these revenue sources as a result of Bill 23 are outlined in report [2022-349 Analysis of Bill 109 \(More Homes for Everyone Act, 2022\)](#) and [Bill 23 \(More Homes Built Faster Act, 2022\)](#). While the changes to Parkland Dedication and Community Benefits Charges are impactful and significant in terms of the City's resources to help building complete communities, the most significant impacts of Bill 23 on the City's resources to service land for development are the changes to the Development Charges Act. While staff await regulations associated with this legislation to be rolled out, at a high level, the impacts to the Development Charges Act can be summarized as follows:

The City's development charge reserve funds contain funds from three sources: funds contributed by developers by way of payment of development charges; funds contributed by City tax and ratepayers by way of transfers from tax and rate funded capital reserve funds in the amount of development charge exemptions made under the legislation throughout the year; and investment income earned on the reserve fund balances.

Bill 23 introduced several new exemptions for affordable and attainable residential units and non-profit housing development, and discounts for rental housing

developments. A five-year phase-in period for new development charge rates was also introduced. The loss of development charge revenue from these changes will increase the amount of exemptions that need to be tax and rate funded to keep Development Charge reserve funds whole. Prior to Bill 23, the City collected an estimated 85 per cent of development charges otherwise owed because of these legislated exemptions. Bill 23 has increased this shortfall significantly and it is now anticipated total collections to only be approximately 70 per cent. This will create an increased cost for the property tax and rate payers in Guelph.

Bill 23 also made changes to which expenditures are eligible to be funded through development charges. Many growth planning studies including development charge studies are now ineligible costs. That means that the costs associated with the planning work outlined above that is required to determine development priorities and what is achievable will be tax and rate funded. In addition to studies, Bill 23 also identified that land costs for certain services will now be ineligible, but the regulations to specify which services have not yet been released.

Bill 23 also changed the Development Charges service standard to increase it to 15 years (from 10). This may have a positive or negative financial impact which is dependent on the historical service standard and would need to be assessed on a service-by-service basis and is subject to further details to be prescribed in regulation.

Looking forward, staff will continue to progress with the Development Charges Background Study Update with the planned Development Charges Bylaw update to be in force no later than March 2024 when the existing bylaw expires. The assumptions underlying this background study will be based on the planning and master planning work that has already been completed. The 2024-2033 10-year capital budget and forecast will also be prepared on this basis for consideration by Council as part of the 2024-2027 multi-year budget. Staff will consider a mechanism for reporting accelerated priorities, using the forecast to 2051 as the baseline against which plans to fast-track certain developments will be measured.

Consultations

This report was developed in consultation with departments in all four service areas of the organization. Analysis and preliminary feedback from professional and municipal associations as well as Guelph District Homebuilder industry representatives have also been considered in the development of Guelph's response.

Attachments

Attachment-1 City of Guelph Housing Pledge: By Guelph, For Guelph

Attachment-2 Letter from Minister of Municipal affairs and Housing regarding 2031 Municipal Housing Pledge

Attachment-3 Housing Pledge Presentation

Departmental Approval

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