

# Staff Report



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To	<b>City Council</b>
Service Area	Infrastructure, Development and Enterprise Services
Date	Tuesday, December 12, 2023
Subject	<b>State of Housing in Guelph – Housing Affordability Strategy Update</b>

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## Recommendation

1. That Report 2023-471 regarding the Housing Affordability Strategy: State of Housing in Guelph Report (Attachment-1), dated December 12, 2023, be received.
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## Executive Summary

### Purpose of Report

The purpose of this report is to present the key findings from State of Housing in Guelph Report (Attachment-1) and use the analysis to inform the next phases of the Housing Affordability Strategy.

### Key Findings

The development of the 2024 Housing Affordability Strategy is an update to the 2017 Affordable Housing Strategy.

The State of Housing in Guelph Report is a statistical analysis of the current and emerging housing needs in Guelph, helping to identify the city's greatest housing needs. This work provides the foundation for the recommendations in the upcoming 2024 Housing Affordability Strategy.

The State of Housing Report is a baseline database of the City's demographic profile, socio-economic characteristics of households and housing stock (cost, type, tenure, and availability) and includes total population statistics, number of households, owner-occupied households, vacancy rate for rental house, and much more.

The primary sources of data for this report include the most recent data from Canada Mortgage and Housing Corporation, City of Guelph, County of Wellington, Municipal Property Assessment Corporation, Statistics Canada's Census of Population, and the Labour Force Survey.

A summary of the key data findings based on the following headings are expanded upon further in the body of this report:

- Economic and demographic factors that influence housing demand;
- Household characteristics;
- Housing supply;

- Housing affordability, adequacy, and suitability; and,
- The updated affordable housing benchmarks for 2023.

The State of Housing Report's statistical analysis identifies the following five key issues that will be the focus of the recommendations when developing the Housing Affordability Strategy:

- Guelph is working towards achieving its affordable housing targets;
- There is a need for smaller units;
- There is a need for increased supply of primary rental units;
- The secondary rental market offers more affordable choices but could benefit from the stability offered by the primary rental market;
- There is a need for an increased supply of non-market rental housing (i.e., housing typically associated with the left side of the housing continuum such as supportive, rent geared to income, and affordable).

To begin to address housing affordability in Guelph, the following will need to occur:

- More primary rental units are needed to meet increased demand as housing becomes increasingly unaffordable;
- Smaller units will be needed in Guelph to meet the increased demand as household sizes decrease;
- Additional residential units will be needed to provide more accessible affordable housing options for lower income earners; and,
- More supportive and subsidized housing is needed to meet the needs of lower income earners.

Ultimately, addressing Guelph's housing affordability needs is a shared responsibility and will require significant collective action from not only the municipal level of government, but also by the Provincial and Federal levels of government, as well as our community partners, homebuilding industry, and agencies. The City will continue to advocate for increasing housing supply while also exploring more ambitious tools to accelerate development approvals.

The next step in the development of the Housing Affordability Strategy is to use the information provided in the State of Housing Report to support the identification of recommended actions that will help close the housing gaps.

### **Strategic Plan Alignment**

The State of Housing Report provides the foundation for the Housing Affordability Strategy. The Housing Affordability Strategy will help inform how best to facilitate the development of housing that can be affordable to the majority of citizens of Guelph at a time of significant challenge and legislative change.

This project specifically aligns with the City Building theme by focusing on growth and all the supporting elements needed to make Guelph a more liveable city. Specifically, this project will:

- Help to increase the availability of housing that meets community needs, and
- Work with partners and the community to create smart programs and policies that enable more people to obtain housing.

With respect to key performance indicators, this update will provide some information on the percentage of affordable residential units (ownership and rental) within the city of Guelph.

## Financial Implications

The development of the Housing Affordability Strategy is funded through approved capital funding.

Bill 23 made affordable housing exempt from development charges, but the costs of providing infrastructure and City services for these developments remain. The affordable housing exemption is not currently in effect, as the enabling regulation has not yet been released. A draft definition of affordable housing was released for comment by the province at the end of September 2023. The [City's response to ERO 019-7669](#) includes a call for the City of Guelph to be made whole for the cost of exemptions, discounts, and rate phase-ins for development charges.

The new statutory development charge exemptions for non-profit (currently in-force) and affordable housing, discounts for purpose-built rental housing (currently in-force), and rate phase-ins applicable to all new development will be considered as part of the broader Housing Affordability Strategy. These exemptions and discounts provide financial incentives for housing development and represent real and significant costs to property tax and ratepayers, which reduce budget capacity for other incentives that could accompany Council approved policy direction.

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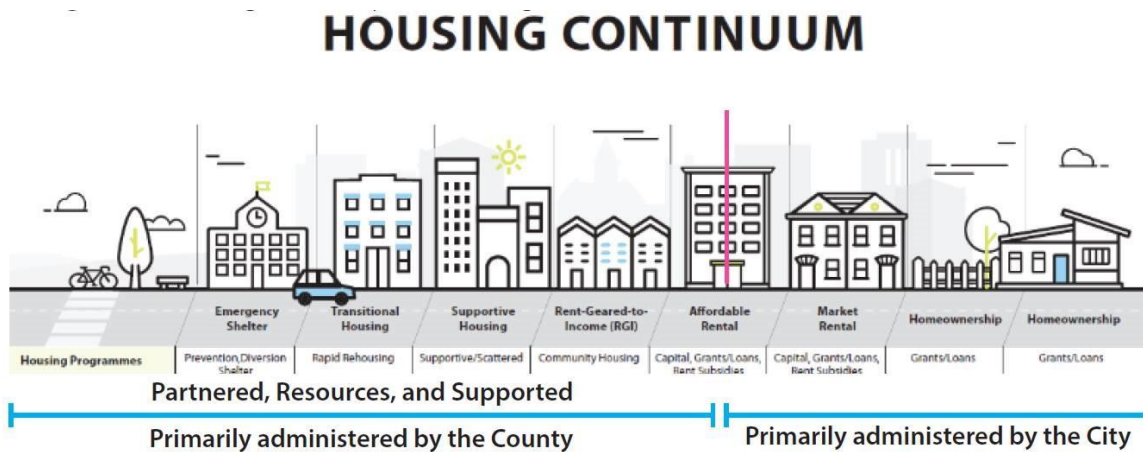
## Report

The city of Guelph has been experiencing steady growth coupled with an increasingly more expensive housing market – ownership and rental. The challenge for our community, and many across Canada, is to deliver housing at a level of affordability to meet community needs. This will involve continuing to identify actions (i.e., policy refinements, tools, and incentives), advocacy, and partnership approaches to address private-market housing gaps in the short, medium, and long term. The focus on private-market housing, at the City-level, is because this is what is primarily within our legislative jurisdiction.

The 2024 Housing Affordability Strategy will build on the 2017 Affordable Housing Strategy. Since Council's approval of the 2017 Strategy, staff have actioned the priorities of the strategy and worked collaboratively with various levels of government, community agencies and partners to increase housing supply, both in the private market and non-market sides of the housing continuum. For example, from 2018, a total of 4278 units have been added to the city's housing stock, 1500 primary rental units have been built, and approximately \$4.8M has been distributed through the Affordable Housing Reserve to support non-market housing in addition to annual financial contributions to the County of Wellington. This contribution is in addition to the approximately \$17M of based funding provided annually to the County in support of non-market housing within the City. Finally, the most recent updates to the City's Official Plan (through Official Plan Amendment 80) and the Comprehensive Zoning Bylaw also addressed priority actions of the 2017 Affordable Housing Strategy and further demonstrates the city's commitment to creating favourable conditions to increase a range and mix of housing supply.

The housing continuum (Figure 1, below) conceptually provides a way to think about housing according to varying degrees of affordability and in many cases, jurisdiction.

Figure 1: Wellington-Guelph's Housing Continuum



The City's partner in providing housing across the continuum is the County of Wellington, and they have been mandated by the Province to take on the responsibility certain types of housing provision as our Consolidated Municipal Services Manager (CMSM). Essentially, the City facilitates the ability to build housing on the right-hand side of the continuum (e.g., market rental, affordable homeownership, and homeownership) with funding and providing administrative support provided to the County as they plan for, manage, and co-fund housing on the left-hand side of the continuum (e.g., emergency shelter, transitional housing, supportive housing, and rent-geared-to-income).

The City and the County meet in the middle of the continuum, represented by the pink link in Figure 1, and collaboratively work to provide affordable rental housing, through incentives and grants, for example.

The Housing Affordability Strategy project was initiated at the [September 12, 2023 Special Council meeting](#), and it was shared at this meeting that one of the first deliverables of this project is a State of Housing Report for Guelph.

The State of Housing Report is a statistical analysis of the current and emerging housing trends in Guelph, helping to identify what the greatest housing needs are. This work provides the foundation for the recommendations to be presented in the 2024 Housing Affordability Strategy.

### Definition of Affordable Housing

For reference, the definition of "affordable housing" used in the State of Housing Report aligns with the City's Official Plan and the Provincial Policy Statement (2020). The definition is as follows:

- a) In the case of ownership housing, the least expensive of:
  - i. Housing for which the purchase price results in annual accommodation costs which do not exceed 30 per cent of gross annual household income for low- and moderate-income households; or
  - ii. Housing for which the purchase price is at least 10 per cent below the average price of a resale unit in the regional market area.

- b) In the case of rental housing, the least expensive of:
- i. A unit for which the rent does not exceed 30 per cent of gross annual household income for low- and moderate-income rental households; or
  - ii. A unit for which the rent is at or below the average market rent of a unit in the regional market area.

Through the development of the 2024 Housing Affordability Strategy, there is an opportunity to consult with agencies, stakeholders, and the broader community on how to define “affordable housing” and how this may influence the recommendations in the Strategy.

## **The State of Housing in Guelph Report**

Based on the results of the 2021 Census, the State of Housing Report is a baseline database of the City’s demographic profile, socio-economic characteristics of households and housing stock (cost, type, tenure, and availability) and includes total population statistics, number of households, owner-occupied households, vacancy rate for rental house, etc.

The overall results of the statistical analysis have identified five key issues:

- Guelph is working towards achieving its affordable housing targets;
- There is a need for smaller units;
- There is a need for increased supply of primary rental units;
- The secondary rental market offers more affordable choices but could benefit from the stability offered by the primary rental market;
- There is a need for an increased supply of non-market rental housing (i.e., housing typically associated with the left side of the housing continuum such as supportive, rent geared to income, and affordable).

None of these key issues are new – the analysis in the State of Housing Report confirms much of what we already know so that we can continue to focus on policy refinements, the identification of actions (i.e., policy refinements, tools, and incentives), advocacy, and partnership approaches to specifically address these key issues in the short, medium, and long term.

The analysis that leads to the identification of the five key issues are presented under the following five headings and more detail is provided on each heading in the subsequent sections of this report:

- Economic and demographic factors that influence housing demand;
- Household characteristics;
- Housing supply;
- Housing affordability, adequacy, and suitability; and,
- The updated affordable housing benchmarks for 2023.

### **Economic and demographic factors that influence housing demand**

This section of the State of Housing Report explores influencing factors on housing demand such as population growth, household growth, demography, employment rates, immigration and commuter patterns, and household incomes. The following points highlight the key results from this section:

- **Population growth:** Guelph is planning to achieve a population of 208,000 people by 2051, which is an additional 56,000 people, or 27 per cent population growth over the period.
- **Significant household growth:** The number of households in Guelph is projected to rise 34 per cent between 2021 and 2051. Household growth is anticipated to be higher than population growth due to the increased formation of single person households, a direct result of decreased birth rates and the aging of the population.
- **Aging population:** The population is aging, and there is an increasing desire among seniors to “age in place”. The increase in the proportion of seniors in the community will increase the demand for seniors’ housing that is adaptable, accessible, and affordable for seniors, especially for those living on fixed incomes.
- **Immigration:** Immigration is expected to be a main contributor of population growth in the Greater Golden Horseshoe area, which includes Guelph. Recent immigrants are more likely to rent their units, which will increase the demand for rental accommodations.
- **People on the move:** Between 2016 and 2021, 23,000 individuals changed houses within Guelph. In addition, nearly 33,000 individuals moved to Guelph from other places. The majority of these new residents to Guelph (72 per cent) are intra-provincial migrants (i.e., moved to Guelph from other municipalities in Ontario).
- **Low unemployment:** Guelph typically holds one of the lowest unemployment rates in Ontario and across Canada, in part due to the diversity of employment sectors in Guelph. When unemployment rates are low, more people will typically have greater financial stability, making it relatively easier to afford to live below the threshold for affordability (i.e., spending less than 30 per cent of household income on shelter costs).
- **Guelph is an attractive place to work:** The cost of housing is a determining factor in where a worker chooses to live. In 2021, about 21,000 workers commuted to positions located in Guelph, while roughly 14,000 Guelph residents travelled to jobs located outside the city. All told, Guelph residents held 73 per cent of jobs located in the city of Guelph. The majority of external workers come from Waterloo Region and Wellington County.
- **Earnings:** In 2021, half of Guelph’s residents earned less than \$46,800 per year in employment income. Households whose primary income source is derived from earnings in low paying industries and occupations tend to require more affordable housing options, especially those working in the accommodation and food services, and retail industries.
- **Household Income:** The average household income among all households in Guelph according to the 2021 Census is \$111,700 and is slightly below the provincial average of \$116,700. On average, renter households earn 47 per cent less annually than homeowners in Guelph.

## Housing Characteristics

This section of the State of Housing Report provides a glimpse into household size, characteristics, and age of homeowners in Guelph. The following points highlight the key results from this section:

- **Shrinking household size:** The average household size in Guelph is 2.55 individuals. The average size of households has generally been in decline and this trend is expected to continue. In Guelph, the share of one person households has increased, while the proportion of three or more person households has generally been in decline.
- **More one person households:** Individuals living alone have been one of the fastest growing household types in Guelph since 2011. They currently comprise over 28 per cent of all household types, and the largest share (40 per cent) of all renter household types.
- **Seniors living alone:** Seniors make up the largest segment (38 per cent) of all one-person households. Many of these seniors are living on fixed incomes and will require more affordable housing options. The 2022 median household income for those aged 65-74 is \$83,899, while households with those aged 75 years or older is \$64,911 and are some of the lowest median incomes among all age groups.
- **Age of homeowners:** 58 per cent of primary household maintainers over the age of 35 own their home, and homeownership rates remain high throughout the senior years (65+ years of age) with 74 per cent of residents in this age group owning their home.
- **Preferred housing unit type:** In general, renter households tend to occupy smaller units, primarily within apartments, while most ownership households occupy single detached dwellings. Occupancy levels reflect the nature of the rental and ownership housing stock available.

## Housing Stock in Guelph

This section of the State of Housing Report explores the types of housing in Guelph, the influence of condominium conversions and demolitions, vacancy rates, rental rates, and the housing market. The following points highlight the key results from this section:

- **Composition of housing stock:** While there has been an increase in the number of new apartments and townhouse units being constructed in recent years, Guelph's current housing stock is predominantly comprised of low-density housing (i.e., single and semi-detached dwellings), comprising 52% of all residential units in the city comprised of low-density housing. It is anticipated that Guelph's housing stock will shift to become more balanced with a greater share of townhomes and apartments by 2051.
- **Condominium conversions:** Rental conversions are not resulting in a significant loss of total rental housing stock. The most recent conversion occurred in 2012 when 72 rental units were converted to condominium.
- **Demolitions:** Recent demolitions in Guelph are resulting in a net increase of housing supply to make way for the construction of townhomes and apartments.

- **Low vacancy rate:** The vacancy rate among Guelph’s primary rental market was 1.5 per cent in 2022, well below the balanced and healthy benchmark of 3 per cent.
- **Increasing rental rates:** Between 2018 and 2022, the private market rental rates for Guelph increased 27 per cent, above the Consumer Price Index (CPI) rate of inflation of 13 per cent for the same time period.
- **Secondary rental market:** It is estimated that 47 per cent of Guelph’s rental units are in the secondary market and are considered temporary. One-quarter of all registered accessory apartments are estimated to not be rented.
- **Rising house prices:** In 2022, the average resale price of a home was \$834,220, up 67 per cent since 2018, well above the CPI for Ontario of 13 per cent for the same time period.
- **Non-market housing:** Non-market housing (i.e., housing typically captured on the left-hand side of the continuum) represents approximately 4 per cent of the total housing stock in Guelph. The remaining 96 percent is private market housing (i.e., housing typically captured on the right-hand side of the continuum).

### **Housing Affordability, Adequacy and Suitability**

This section of the State of Housing Report explores how affordability is affecting members of the community, the condition of housing stock, and the percentage of our community living in core housing need (i.e., this term measures whether a household experiences problems relating to paying less than 30% of income on shelter costs, having enough space for the composition of the household, and whether housing is in good repair). The following points highlight the key results from this section:

- **Affordability challenges:** 23 per cent of Guelph’s households spent above the affordability threshold for housing in 2021, with eight per cent spending more than 50 per cent of their household income on shelter costs. Renters are more than twice as likely than homeowners to have affordability challenges.
- **Lack of small housing units:** There is a current shortfall of bachelor and one-bedroom units, and an abundant supply of dwelling types consisting of three or more bedrooms. The projected rise in the number of one-person households will further increase the demand for small units.
- **Housing stock is generally in good condition:** 95 per cent of the housing stock is in good condition, requiring only regular maintenance and minor repairs.
- **Households in core housing need:** 11 per cent of all Guelph households were living in core housing need in 2021. The incidence is highest among renters (22 per cent of all renter households), lone-parent households (22 per cent of all lone-parent households), and one-person households (20 per cent of all one-person households).

### **The Updated Affordable Housing Benchmarks for 2023**

This section of the State of Housing Report provides the price points at which a home (ownership) or rental unit is considered affordable based on either an income-based or market-based calculation.

The updated affordability benchmarks for 2023 are:



- Ownership: \$429,016 per dwelling
- Rental: \$1,434 per month

The homeownership benchmark was derived using an income-based calculation, while the rental affordability benchmark was based on the lower market-based calculation. The calculations are detailed in the report.

In 2022, while Guelph did not meet its affordable homeownership target of 25 per cent, we were close with 22 per cent of new units selling below the benchmark price.

The affordability benchmark for new primary rental units is measured every five years. When it was last measured in 2020, Guelph did not meet the benchmark of one (1) per cent of all new primary rental units. Guelph did meet the affordability benchmark among secondary market rental of four (4) per cent, primarily through the creation of additional residential dwelling units.

## **Summary**

The key highlights from the various sections of the State of Housing Report have clearly identified that Guelph's housing options do not meet the affordability needs of the community. More specifically, the results from the State of Housing Report show that to begin to address housing affordability in Guelph, the following will need to occur:

- More primary rental units are needed to meet increased demand as housing becomes increasingly unaffordable,
- Smaller units will be needed in Guelph to meet the increased demand as household sizes decrease,
- Additional residential units will be needed to provide more accessible affordable housing options for lower income earners, and
- More supportive and subsidized housing is needed to meet the needs of lower income earner.

These points will drive how the Housing Affordability Strategy is framed and will significantly influence the recommended actions that are presented once the recommended strategy is before Council in 2024. As previously stated, addressing Guelph's housing affordability needs is a shared responsibility and will require significant collective action from not only the municipal level of government, but also by the Provincial and Federal levels of government, as well as our community partners, homebuilding industry, and agencies.

## **Financial Implications**

The recommended actions to be drafted through the 2024 Housing Affordability Strategy, using the results of this report, are anticipated to require financial support. Details will be provided to Council through future reports as the strategy is developed.

Bill 23 made affordable housing exempt from development charges, but the costs of providing infrastructure and City services for these developments remain. The affordable housing exemption is not currently in effect, as the enabling regulation has not yet been released. A draft definition of affordable housing was released for comment by the province at the end of September 2023. The [City's response to ERO 019-7669](#) includes a call for the City of Guelph to be made whole for the cost of exemptions, discounts, and rate phase-ins for development charges. The new

statutory development charge exemptions for non-profit (currently in-force) and affordable housing, discounts for purpose-built rental housing (currently in-force), and rate phase-ins applicable to all new development will be considered as part of the broader Affordable Housing strategy. These exemptions and discounts provide financial incentives for housing development and represent real and significant costs to property tax and ratepayers, which reduce budget capacity for other incentives that could accompany Council approved policy direction.

## **Consultations and Next Steps**

An engagement strategy is being developed to ensure that consultation and feedback from all stakeholders will be collected throughout the entire project. Staff met with the Planning Advisory Committee in November 2023 to provide some information on the results of the State of Housing in Guelph Report and requested feedback from the group. The [Committee provided comments](#) on exploring facilitating alternative types of housing models (e.g., co-housing), building family-sized units that can still be considered affordable, and having opportunities for discussions around trade-offs throughout the development of the Housing Affordability Strategy and the complementary work on gentle density.

It is anticipated that information and/or recommendation reports to Council will be provided at key stages of this project update, including:

- Q1 of 2024 when staff will engage with the public on the development of the HAS and more specifically, report back to Council on the draft zoning bylaw amendment for four units on a single residential lot.
- Q2 of 2024 when staff will continue to engage on the development of the HAS and more specifically, hold a statutory public meeting on the draft zoning bylaw amendment for four units on a single residential lot.
- Q3 of 2024 when the recommended draft Housing Affordability Strategy is ready for review.

## **Attachments**

Attachment-1 State of Housing in Guelph Report

## **Departmental Approval**

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