

Staff Report



To	City Council
Service Area	Infrastructure, Development and Environment
Date	Tuesday, February 11, 2025
Subject	Decision Meeting - Affordable Housing Community Improvement Plan

Recommendation

1. That the Affordable Housing Community Improvement Plan as described in report 2025-75, be approved.
-

Executive Summary

Purpose of Report

To present the final recommended Affordable Housing Community Improvement Plan (CIP) (Attachment-1) and program parameters that have been amended to incorporate feedback received at the Statutory Public Meeting held on November 13, 2024.

Staff are recommending the approval of the Affordable Housing CIP so that staff can begin to accept applications beginning in March, following the statutory appeal period.

Key Findings

- On January 9, 2024, the City of Guelph was awarded \$21.4 M through the Housing Accelerator Fund (HAF) by the federal government.
- The City's HAF Action Plan identified eight key initiatives aimed at increasing housing supply in the City through this funding. Two of these initiatives were to develop an affordable housing CIP, and to provide financial incentives to support the development of additional dwelling units (ADUs) across the City.
- A CIP is a tool available to municipalities under the Planning Act to incentivize development to meet community needs. Since 2004, Guelph has implemented CIPs that support brownfield redevelopment, downtown renewal, and the conservation of designated heritage assets. This will be Guelph's first Affordable Housing CIP.
- As presented in the 2024 Housing Affordability Strategy, the City of Guelph will need 8,700 affordable housing units (that meet the Province of Ontario definition of affordable housing in the Provincial Planning Statement) by 2051. The Affordable Residential Unit Bulletin sets the affordable purchase price and rental rate for each municipality in Ontario.
- At a statutory public meeting on November 13, 2024, Council received staff report 2024-251 which included a draft version of Guelph's first Affordable Housing CIP for public input.
- The Affordable Housing CIP includes the following three programs:

- **Program 1:** Vacant Unit Renewal Grant to convert uninhabitable residential and/or vacant commercial/institutional/office space into affordable residential rental units. This program is funded by HAF until the end of 2026.
- **Program 2:** New Affordable Housing Unit Grant to develop new purpose-built affordable rental or ownership units. There are no funds currently allocated to this program. Funding for this program will need to be considered through future multi-year budgeting processes. However, if the City enters into discussions with a proponent whose project can meet the HAF timelines and program parameters then consideration will be given to utilizing HAF funds for such application.
- **Program 3:** The Additional Dwelling Unit (ADU) Grant aims to develop new affordable ADU rental units through two funding streams. Most of the funding is being allocated to the first stream, which is for homeowners who want to add ADUs to their properties. The second stream targets developer-led projects that include multiple ADUs. This program is funded by HAF until the end of 2026.
- As a result of feedback received at the Statutory Public Meeting on November 13, 2024, the following program changes have been made to the Affordable Housing CIP program document:
 - **The minimum unit size requirement for all programs has been removed.** Whereas previously the unit size aligned with Wellington County's minimum affordable housing size requirements. Unit sizes will now be the minimum requirements for dwelling units as set out in the Ontario Building Code.
 - **The minimum amount of ADUs required to participate in Program 3, Project Stream (developer-led) has been removed.** Whereas previously a project needed to have a minimum of three ADUs to be eligible for funding, projects can now have as few as one.
- At the Statutory Public Meeting Council also passed two motions for staff to review a tax increment financing program for non-profit organizations. This direction has been addressed in Program 2 in the existing Affordable Housing CIP and has been included in the Housing Affordability Strategy Implementation and Monitoring Plan (Action 2.2.1) that was presented to Council on December 10, 2024.
- The CIP incentivizes increased affordable housing supply in Guelph of all types, which is aligned with the City's 2024 Housing Affordability Strategy.

Program Parameters

Under the terms of the program, grant recipients are required to keep units at a rate defined by the [Affordable Residential Unit Bulletin](#) from the Province of Ontario throughout the affordability timeframe. To ensure affordability compliance, grant recipients must enter into an agreement with the City and participate in ongoing monitoring. Updates to these monitoring and compliance parameters have been incorporated into the program and will be outlined in each agreement. These updates, along with minor name changes for better marketability of the program, include:

Security for the obligation: Program agreements will be signed by all grant recipients and registered on all subject properties to inform any

potential future owner of the affordability obligation. To further secure larger value grants, a collateral mortgage will also be registered on all subject properties receiving a total grant amount of \$100K or more.

Ongoing monitoring of affordability: An annual declaration will be required from property owners, to confirm compliance with the terms of the program. Staff will monitor declaration submissions, and late fees may be applied for late submissions.

Penalties for non-compliance: Should non-compliance with the program obligations be determined, a grace period will be provided during which time the property owners have the option to correct the non-compliance (e.g. return their units to affordable rates).

Ongoing non-compliance (e.g. failure to maintain affordability, refusal to comply with monitoring requirements, etc.) would trigger repayment of funds owed to the City.

Repayment terms: Grant amounts to be repaid to the City will be amortized over time based on the duration of affordability. Payment of applicable interest and any non-compliance fees owed to the City would also apply where repayment is required.

Strategic Plan Alignment

The Affordable Housing CIP is one tool that moves the City toward meeting its Housing Pledge. The objectives of the program align with the 2024 Housing Affordability Strategy and address gaps in Guelph's current housing supply as identified in the 2023 State of Housing in Guelph report.

This project aligns with the City Building theme of the Strategic Plan by focusing on increasing housing supply. Specifically, the Affordable Housing CIP will:

- Incent the growth 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.

As reported through the 2024 Housing Affordability Strategy, the City of Guelph will need 8,700 affordable units by 2051. An Affordable Housing CIP is one of the tools at the City's disposal to incent the creation of affordable housing by providing financial support.

Future Guelph Theme

City Building

Future Guelph Objectives

City Building: Improve housing supply

Financial Implications

The Vacant Unit Renewal Grant and the Additional Dwelling Unit Grant are Federally funded through the Housing Accelerator Fund Grant until 2026 or exhaustion of grant funds available. Availability of funding for these programs beyond 2026 will be considered through future budget processes. The New Affordable Residential Unit Grant would require funding to be added to the existing base budget through future budget processes. However, if the City enters into discussions with a

proponent whose project can meet the HAF timelines and program parameters then consideration will be given to utilizing HAF funds for such application. City supported CIPs are managed through Reserve Fund 122 – Redevelopment Incentives, and existing awarded Brownfield, Downtown and Heritage CIP agreements will draw upon the balance and future budgeted annual transfers to this reserve until 2032.

Report

The City of Guelph identified affordable housing as a municipal priority and on January 9, 2024, was awarded \$21.4M through the Housing Accelerator Fund (HAF) by the Federal Government of which \$3.2M was allocated to support the development of a new affordable housing CIP and \$2.5M allocated to support an Additional Dwelling unit grant.

A CIP is a tool under the Planning Act that municipalities use to incentivize development to meet the local needs and priorities of a community. This is Guelph's first Affordable Housing CIP. Incentives provided through the CIP align with recent Provincial legislative changes (e.g. Ontario Bills 23, 108, 134, 185, and the 2024 Ontario Building Code) and Federal/Provincial Tax exemptions for affordable rental construction. Along with facilitating the improvement of the City's existing building stock, it will support the development of new homes to meet the targets set out by the [HAF Action Plan](#), the [2024 Housing Affordability Strategy](#), and our [Ontario Housing Pledge of 18K new homes by 2031](#).

In particular, the 2024 Housing Affordability Strategy, approved by Council on December 10, 2024, sets out our Implementation and Monitoring Action Plan to create more affordable housing units over the next 10 years. One of the high-priority (HAF-related) actions (Action 1.1.5) is to develop an Affordable Housing CIP.

Objectives of the Affordable Housing CIP are based on identified shortfalls in Guelph's current housing supply as stated in the 2024 Housing Affordability Strategy, and aims to:

- Increase the supply of primary rental units.
- Increase the supply of smaller units.
- Increase non-market rental housing options.

Financial incentive programs

Full program details of the Affordable Housing CIP are found in Attachment-1. The Community Improvement Project Area is the entirety of the City of Guelph, shown in Attachment-2.

Any unit that receives funding under this CIP will be subject to all applicable legislation and by-laws, including the Ontario Building Code, Property Standards By-law and the Fire Code, and Guelph's Comprehensive Zoning By-law. The three programs are as follows:

Program 1: Vacant Unit Renewal Grant for the conversion of uninhabitable residential and/or vacant commercial/institutional/office space into affordable residential rental units.

- Up to \$3.2M in funding is available, grants must be awarded by December 31, 2026. Units must remain affordable for 25 years.

Program 2: New Affordable Housing Unit Grant to develop new purpose-built affordable rental or ownership units.

- If this program is approved, funding will be considered through future multi-year budgeting processes, units must remain affordable for 25 years. However, if the City enters into discussions with a proponent whose project can meet the HAF timelines and program parameters then consideration will be given to utilizing HAF funds for such application.

Program 3: Additional Dwelling Unit Grant to develop new affordable ADU rental units. There are two funding streams available: A Homeowner Stream and a developer led Project Stream.

- Up to \$2.5M in funding is available for both streams combined, with the majority of funds directed to the Homeowner stream. Grants must be awarded by December 31, 2026. Units must remain affordable for 15 years. Staff will monitor uptake and reallocate funds between the Homeowner and Project streams as necessary.

Table 1: Summary of 2024 Affordable Housing CIP programs.

Program	Incentives Per Application	Details
Vacant Unit Renewal Grant	Up to \$100K per unit for eligible construction costs. Up to \$20K additional funding per unit for accessibility features.	Existing unit must be vacant. Minimum 25-year affordability term. No maximum or minimum unit requirements.
New Affordable Housing Unit Grant	Up to \$25K per unit for eligible construction costs.	Minimum 25-year affordability term. No maximum or minimum unit requirements.
Additional Dwelling Unit Grant: Homeowner Stream	Up to a maximum \$50K grant as follows: <ul style="list-style-type: none"> • Up to \$20K for eligible construction costs. • Up to \$20K to cover infrastructure upgrades. • Up to \$10K additional funding per unit for accessibility features. 	Minimum 15-year affordability term. One grant per applicant, per property. Applicants must demonstrate that they live on the property.

Program	Incentives Per Application	Details
Additional Dwelling Unit Grant: Project Stream (developer-led)	Up to a maximum \$140K (six affordable, accessible units) as follows: <ul style="list-style-type: none"> • Up to \$10K per unit for eligible construction costs. • Up to \$20K per project to cover infrastructure upgrades. • Up to \$10K additional funding per unit for accessibility features. 	Minimum 15-year affordability term. Maximum of six units eligible per applicant.

Public meeting feedback:

Program updates

At the Statutory Public Meeting held on November 13, 2024, Council requested two program changes:

First, that minimum unit size requirements be removed from all programs to expand the scope of projects that would be eligible to receive funding. While all units taking advantage of this program must contain full private cooking, eating, living, sleeping and sanitary facilities, unit sizes will now be the minimum requirements for dwelling units as set out in the Ontario Building Code.

Secondly, it was requested that staff remove the minimum number of ADUs required to participate in the ADU Grant Program; this has been removed from the program to give small-scale landowners more opportunity to put forward eligible projects.

Affordability

Council also requested staff to review the difference between the Federal and Provincial housing affordability definitions and provide clarification.

In both the federal and provincial definitions, a unit is affordable if it costs less than 30 per cent of a household's before-tax income. The Provincial definition further specifies that this 30 per cent is for low-to-moderate income households (those that fall within the 30th to 60th income percentiles in a municipality).

As an Ontario municipality, the City is required to use the Provincial definition of affordable. This is also the metric that has been used to determine Guelph's affordable housing needs to the year 2051, as described in the 2024 Housing Affordability Strategy. Table 2 shows the current affordability benchmarks for Guelph. It is expected that the Province will annually update these benchmarks.

Table 2 - Affordable monthly rental rate and ownership benchmarks, Guelph (April 5, 2024)

Unit Type	Rental Bachelor	Rental One Bedroom	Rental Two Bedroom	Rental Three Bedroom	Ownership Condominium Apartment
Affordable Rate	\$1,160	\$1,508	\$1,646	\$1,695	\$398K

Source: [Affordable Residential Units for Purposes of the Development Charges Act, 1997 Bulletin](#)

Staff heard from Council that they would prefer to lengthen the program’s affordability timelines. These grants are a one-time source of funding to offset the costs incurred in constructing affordable housing. The proposed affordability timelines were considered a balanced approach based on the required timelines to spend HAF funding, the objective of ensuring long-term affordability for the community and keeping the programs attractive to home-owners and developers/builders. The intention is for the value of the grant to make it financially feasible for the housing provider to create an affordable unit but is not intended to subsidize the difference between an affordable and market rent for the duration of the agreement. For these reasons, the proposed periods of affordability attached to the grants have been retained as initially proposed.

Grant combining

Grants received through the Affordable Housing CIP may be combined with other grants and fee exemptions or programs offered by the City and any other public or private organizations, provided that total eligible costs do not exceed the total of all grants and fee exemptions.

Council asked staff to confirm if homeowners could apply for both the ADU Grant Program and the [Guelph Greener Homes Program](#) (GGH). Staff reviewed and followed up with the GGH program funder, the Federation of Canadian Municipalities, to determine eligibility requirements and confirmed that on existing low-rise residential properties it would be possible to stack these programs where the projects meet eligibility criteria.

Option to include a tax increment financing program for non-profits

During the statutory public meeting Council put forward two additional motions:

1. that staff consider the feasibility to develop a deferral of Property Tax through incremental tax financing (TIF) program for non-profit developers who are building affordable home ownership projects, to be recovered when homes are re-sold or rented, as part of the Housing Affordability Strategy.
2. that Staff consider the feasibility to develop a program for non-profit affordable housing developers that allows a no interest deferral of municipal application and permit fees prior to building permit, which would be payable in full, prior to issuance of the building permit, as part of the Affordable Housing Strategy.

The New Affordable Housing Unit Grant program included in the Affordable Housing CIP provides a \$25K grant, which is calculated as approximately the upfront value of a 10-year tax increment on a new apartment or condominium. This program, if

approved, would be open to non-profit organizations. Adding an additional tax increment grant to the existing proposed program would cause the same increment to be provided twice to a new affordable unit. Replacing the existing proposed program would be less attractive as the financial benefit would be received later, after the units are built, instead of up front to support the development of the units, as would be the case under the proposed program.

Further, under the Housing Affordability Strategy presented to Council and approved on December 10, 2024, action item (2.2.1) staff are exploring new tools for creative financing for affordable housing. Consideration of deferral of municipal application and permit fees will be undertaken as part of that review, but in the meantime, the proposed grant program would provide a source of up front funds to support these development costs.

Council also asked about the option to prioritize non-profit applications as part of the CIP; staff reviewed and determined that due to contractual obligations as part of the Housing Accelerator Fund, this needs to be a first-come, first-served program at this point in time. Local non-profits have been consulted about engagement and are eligible to apply to all three programs.

Program Parameters

Eligible costs

Section 28 of the Planning Act outlines what eligible costs may be included in CIPs related to the redevelopment, construction and reconstruction of lands and buildings. For each CIP project, the total grants or loans cannot exceed the eligible costs. Grants will be equal to the lesser of eligible costs and the maximum program amount.

Applicants would be required to submit a detailed budget that is reviewed by staff to ensure the proposed budget is reasonable and the grant does not cover ineligible costs.

Securing the obligation on the property

All CIP grant recipients must enter into an agreement with the City detailing their obligations and the consequences of non-compliance with the program terms.

All program agreements will be registered on the title of the subject property to ensure that the grant recipient and any potential future property owners are made aware of the affordability obligation. This approach is intended to ensure that, in the event of a transfer of ownership, the new property owner is made aware of the agreement and obligations during a standard land sale title search.

For grants of \$100K and above, both the agreement and a collateral mortgage equal to the value of the grant will be registered against the title to the subject property. The mortgage will be placed, and postponed as needed, to a lower rank than the applicant's main financial lender to limit the challenges the owner may have with financing. This process could still present challenges for the applicant with lending agencies when they attempt to renew their primary mortgage, even if it is in a lower ranking position and would require ongoing attention and update from the City. It has also been noted that this process and ongoing management of collateral mortgages is administratively burdensome for the Legal Services team.

However, it may be possible during the purchase and sale process for a purchaser to fail to become aware of an agreement registered on title, and the associated

financial commitments that would be transferred to them through the purchase process. It would be significantly more difficult to overlook a collateral mortgage because it will have to be discharged and re-registered as part of the purchase process. This will help to protect future purchasers from unknowingly purchasing a property with limitations on how much rental income they can charge.

Monitoring continued affordability

The City will be proactive in monitoring the affordability of the units that receive a CIP grant to ensure that the units remain within provincial affordability benchmarks for the affordability timeframe.

The City will send out an annual reminder letter to the property owner and tenant (if applicable) to subject property address of funded projects outlining obligations and annual provincial benchmarks in effect. In addition, the property owner will be required to submit a declaration on an annual basis confirming that the unit(s) remain at or below the provincial affordability benchmarks. An administrative penalty will be applied to any properties for which an annual declaration is not submitted in a timely fashion. Continued failure to submit a declaration constitutes non-compliance with program obligations, and would trigger the repayment of the grant, including any outstanding interest and administrative fees.

More proactive methods of monitoring affordability, including the collection of rent rolls, would require additional resources and incur costs that are not currently budgeted for beyond the two-year HAF support for the CIP.

Penalties and repayment

If a grant recipient fails to comply with the terms of their agreement, they will be required to repay the grant, plus interest and penalties. Staff recognize that the stringency of repayment terms has an impact on the willingness of property owners to participate in the program. It is important to balance the effect of penalties with their impact on property owners' willingness to develop affordable housing.

Should there be minor non-compliance, (e.g. failure to file annual declaration on time), a grace period will be permitted within which the property owners will have the opportunity to comply with the agreement terms. This minor non-compliance may trigger a contractual penalty to offset costs of enforcement. Ongoing non-compliance (e.g. refusal to meet affordability benchmarks) would trigger a requirement to repay the grant at an amortized rate with interest, and potential contractual penalties.

Grant recipients will have the opportunity to voluntarily exit from the program, at which point they will be required to repay any grant at an amortized rate, plus interest and potential penalties.

Arm's length tenancy

To align with provincially mandated development exemptions (development charges, parkland dedication fees, community benefit charges), which require an arm's length relationships between tenants and property owners, staff have considered a similar approach for the CIP. Given that these development exemptions are unlikely to apply to ADUs, tenants who are not arm's length from the property owner (i.e. family members) are able to occupy ADUs as a part of Program 3. However, for Program 1 (Vacant Unit Renewal Grant) and Program 2

(New Affordable Housing Unit Grant), tenants and purchasers of funded affordable units must be at arm's length from the grant recipient.

Next Steps

If the CIP is approved, the next step will be to launch an advertising/marketing campaign. Applications will be open in March 2025.

Financial Implications

The Vacant Unit Renewal Grant and the Additional Dwelling Unit Grant are funded through the Housing Accelerator Fund. A total of \$5.72M is currently budgeted to support both initiatives until the end of 2026. This allocation is contingent upon the receipt of the full \$21.4M in HAF funding. If changes are made to the City's HAF funding allocation, the availability of funds under this program would be re-assessed within the context of all City HAF commitments. Staff will continue to monitor both CIP program uptake and HAF program funding to ensure that funds are allocated as effectively as possible.

Grant funding for Programs 1 and 3 is allocated at the time of building permit issuance as HAF funding must be distributed by the end of 2026. To meet this deadline, all applications must be received by August 2026 to ensure sufficient time for proper approvals prior to building permit issuance. Any applications received after this deadline would not be funded by HAF. To continue incentivizing affordable housing through any of the streams in the Affordable Housing CIP program beyond 2026, tax supported funding would need to be allocated in the City budget.

The New Affordable Residential Unit Grant is not currently funded in the 2025 operating budget, or 2026 and 2027 forecast. While the program is designed and proposed to be approved as part of the overall Affordable Housing CIP, implementing this program stream will require additional funding. However, if the City enters into discussions with a proponent whose project can meet the HAF timelines and program parameters then consideration will be given to utilizing HAF funds for such application.

The City currently supports several CIPs funded through Reserve Fund 122 – Redevelopment Incentives. Existing CIP agreements for brownfield, downtown, and heritage tax increment-based grants (TIBGs) will draw upon the balance and future budgeted annual transfers to this reserve until 2032.

Monitoring compliance as described in this report over the term of the CIP agreements will be done by existing staff. No additional staff are currently proposed to support the implementation and maintenance of this program. However, the number of agreements with grant funding over \$100K, which will absorb more resources from Legal Services, will need to be monitored closely to determine the impact on staff capacity over time.

Bill 23, More Homes Built Faster Act (2022), introduced DC, exemptions for affordable housing, as well as exemptions from Parkland Dedication requirements and Community Benefits Charges for non-profit housing development. It also expanded DC exemptions for ADUs. Providing financial incentives for these housing types can be expected to increase the cost of these exemptions for the duration of the program. The impact of development fee exemptions will be monitored over time and all DC exemptions will continue to be reported on through quarterly budget monitoring reports.

Consultations and Engagement

City departments consulted throughout the development of this program include Finance, Accessibility, Planning and Building Services, Legal and Court Services, Strategic Communication and Community Engagement, and Strategic Initiatives and Intergovernmental Services.

Economic Development and Planning staff conducted interviews over the summer and fall 2024 with local developers and homeowners to better understand how the programs should be designed to achieve uptake. In addition, Information Sessions were held on September 5, 2024 to discuss the programs with interested parties and to collect feedback.

The Statutory CIP Public Meeting was held on November 13, 2024 and a subsequent meeting was held with the Guelph Wellington Developers Association and Guelph Home Builders Association. Additional feedback was also received through Chamber of Commerce membership.

External engagement also included:

- Private and not-for-profit organizations
- Guelph and District Association of Realtors
- Downtown Guelph Business Association
- Guelph Wellington Developers Association
- Guelph Home Builders Association
- Economic Development Advisory Committee
- Planning Advisory Committee
- Accessibility Advisory Committee
- General public

Attachments

Attachment-1 Guelph Affordable Housing Community Improvement Plan

Attachment-2 Affordable Housing Community Improvement Project Area

Attachment-3 Affordable Housing CIP Presentation

Departmental Approval

Krista Walkey, MCIP, RPP, General Manager Planning and Building Services

Shanna O'Dwyer, Acting General Manager Finance, City Treasurer

Report Author

Christine Chapman, Manager, Economic Development

This report was approved by:

James Goodram, MCIP, RPP, PLE

General Manager, Economic Development and Tourism

Infrastructure, Development and Environment

519-822-1260 extension 3567

james.goodram@guelph.ca

This report was recommended by:

Jayne Holmes, P.Eng, PMP
Deputy Chief Administrative Officer
Infrastructure, Development and Environment
519-822-1260 extension 2248
jayne.holmes@guelph.ca