Report to Planning and Environment Committee

To: Chair and Members
Planning and Environment Committee
From: Scott Mathers, MPA, P.Eng.
Deputy City Manager, Planning and Economic Development
Subject: Community Improvement Plans Review for Increasing Affordable Housing
Date: June 11, 2024

Recommendation

That, on the recommendation of the Deputy City Manager, Planning and Economic Development, the following actions be taken with respect to the Community Improvement Plans Review for Increasing Affordable Housing:

(a) Civic Administration **BE DIRECTED** to amend the Affordable Housing Community Improvement Plan to:

i) Update the definitions of affordability (Consultant Recommendation #1)

ii) Review and update the CIP's goals and objectives (Consultant Recommendation #2)

(b) Civic Administration **BE DIRECTED** to **REPORT BACK** on the financial implications of amending the Affordable Housing Community Improvement Plan and its Financial Incentive Program Guidelines to:

i) Introduce the following new financial incentive programs (Consultant Recommendation #4):

i. Tax Increment Equivalent Grant Program (Consultant Recommendation #5)

ii. Capital Grant Program (Consultant Recommendation #6)

iii. Municipal Fee Exemption Program (Consultant Recommendation #9)

iv. Pre-Construction Grant Program (Consultant Recommendation #10)

ii) Amend the existing Additional Residential Unit (ARU) Loan Program to introduce a forgivable loan (Consultant Recommendation #7) and create an ARU grant pilot project (Consultant Recommendation #8)

iii) Introduce a Land Banking and Disposal Program (Consultant Recommendation #11)

(c) Civic Administration **BE DIRECTED** to undertake the following recommendations to support the Affordable Housing CIP's implementation and the construction of affordable housing:

i) Review and report back on the coordination and program delivery of affordable housing programs across the Corporation of the City of London (Consultant Recommendation #12)

ii) Amend the Affordable Housing CIP to implement performance targets and monitor them (Consultant Recommendation #13)

iii) Implement a communications and marketing strategy for the Affordable

Housing CIP (Consultant Recommendation #14)

(d) Civic Administration **BE DIRECTED** to **REPORT BACK** on the following recommendations that fall outside of the legislated authority of a Community Improvement Plan:

i) Create financial incentive programs to upgrade existing private rental stock that meets the 80% or 100% Average Market Rent thresholds (Consultant Recommendation #17)

ii) Assign City staff as a concierge to act as consistent point of contact for affordable housing project proponents to help navigate City approval processes (Consultant Recommendation #18)

(e) The report titled "Community Improvement Plan Review for Increasing Affordable Housing Supply" from Tim Welch Consulting Inc. (Appendix "A") **BE RECEIVED.**

IT BEING NOTED THAT, Consultant Recommendation:

- #3 requires no action from Civic Administration because the Affordable Housing community improvement project area is already the entire municipality

- #15 requires no action because introducing affordable housing minimums would have a negative impact on the existing housing-related financial incentive programs, and

- #16 (investigate updating the Zoning-By-law to allow for affordable housing citywide without the need for a Zoning By-law Amendment) will be forwarded to the ReThink Zoning project

Executive Summary

Summary of Request
A consultant team lead by Tim Welch Consulting Inc. (TWC) and including their sub-consultants Parcel Economics and NPG Planning Solutions was retained to review and analysis London's housing-related CIPs — including the Affordable Housing CIP — and related financial incentive programs to develop recommendations aimed at increasing the supply of affordable housing in London.

Purpose and the Effect of Recommended Action
The consultant has provided 18 recommendations for the City of London to consider implementing to increase the supply of affordable housing. Their recommendations have been grouped into five categories:

- Affordable Housing CIP – General Recommendations;
- Affordable Housing CIP – Incentive Program Recommendations;
- Affordable Housing CIP – Implementation Recommendations;
- Housing-Related CIP Recommendations related to the financial incentive programs in other CIPs;
- Broader Affordable Housing Recommendations that speak to some items for consideration outside of the core CIP related recommendations.

Additional details on the recommendations are available in Section 2.5 below and in Appendix "A".

Rationale of Recommended Action
The recommended action helps implement the Affordable Housing Community Improvement Plan's goals and objectives, specifically:

- Reducing financial barriers to developing affordable housing units;
- Promoting and encouraging the creation of new affordable housing rental units;

- Supporting opportunities for infill and intensification from small to large scale (i.e., from Additional Residential Units to high-rise apartments);
- Encouraging environmental, social, and financial sustainability for the City and its citizens through strategic City investments in affordable housing initiatives;
- Providing financial incentives to encourage the creation of more affordable housing units and provide relief from financial barriers to construction of affordable housing.

The recommended action will also address two of the recommendations from the 2023 Five-Year Community Improvement Plan Review.

Financial Implications
Incentives offered through the Affordable Housing CIP form one part of a financial package to assist in the creation of affordable housing in London. The *Roadmap to 3,000 Affordable Units* managed by Municipal Housing Development is another part, and until 2026, funding is also available through the Housing Accelerator Fund (HAF). $10M of HAF funding could potentially be used to help construct affordable housing near transit.

Affordable Housing CIP financial incentive programs are funded through the tax-supported Community Improvement Program Reserve Fund (CIP Reserve Fund). As the existing CIP Reserve Fund handles financial incentive programs from numerous CIPs, introducing new Affordable Housing financial incentive programs will have an impact on the Reserve Fund. Civic Administration are of the opinion that implementing all the consultant's recommendations is not possible without additional funding. A financial analysis will be provided in a future committee report to assess the impacts of the recommendations, inclusive of potential funding options.

Linkage to the Corporate Strategic Plan

This recommendation supports the following Strategic Areas of Focus:
- **Economic Growth, Culture, and Prosperity** by increasing residential occupancy and livability in the Core Area.
- **Housing and Homelessness** by increasing access to a range of quality, affordable, and supportive housing options that meets the unique needs of Londoners.
- **Wellbeing and Safety** by ensuring housing in London is affordable and attainable.

Analysis

1.0 Background Information

1.1 Previous Reports Related to this Matter

Community and Protective Services Committee – Proposed Implementation of the "Roadmap to 3,000 Affordable Units" (Roadmap) Action Plan – November 23, 2021

Community and Protective Services Committee – Shovel-Ready Projects: Roadmap to 3,00 Affordable Units – January 10, 2023

Planning and Environment Committee – 5-Year Review – Community Improvement Plans and Financial Incentive Programs – June 12, 2023

Strategic Priorities and Policy Committee – London's Approved Housing Accelerator Fund Application – September 19, 2023

Strategic Priorities and Policy Committee – Targeted Actions to Increase London's Housing Supply: Supporting Council's Pledge for 47,000 Units by 2031 – April 16, 2024

1.2 Purpose of the CIP Review for Increasing Affordable Housing

A Five-Year Community Improvement Plan and Financial Incentives Review was completed in June 2023.

Its purpose was to propose changes to several of the CIPs, to the scope and terms of existing financial incentive programs, and to consider new programs and approaches to address community improvement issues.

On June 27, 2023, Municipal Council directed that thirty-five recommendations from the 5-Year CIP Review be implemented with many recommendations requiring funding approval through the Multi-Year Budget process.

The two recommendations relevant to this report are:

d) xi) the Civic Administration BE DIRECTED to review the Affordable Housing Community Improvement Plan and report back to Municipal Council on how to improve the Plan to incentivize affordable housing developments;

e) that the Civic Administration BE DIRECTED to review existing (and consider in future) housing-related CIPs opportunities to include and incentivize the creation of affordable housing units, and report back no later than Q2 of 2024, including but not limited to:

> i) the introduction of mandatory minimums to access CIP funds; and
>
> ii) options to include affordable housing units in existing buildings;

it being noted that changes to provincial legislation on affordable housing necessitates a review of the existing financial incentive programs.

The Community Improvement Plans Review for Increasing Affordable Housing project was initiated to complete the two recommendations from the 5-Year CIP Review. This project also addresses item No.5 on the Planning and Environment Committee's Deferred Matters list.

The staff report dated June 11, 2024, and the accompanying consultant's report in Appendix "A" outlines the consultant's recommendations for increasing affordable housing in London.

The tax-supported Community Improvement Program Reserve Fund handles financial incentive programs from numerous CIPs. As a result, introducing new Affordable Housing financial incentive programs will have an impact on the Reserve Fund. This financial impact will depend on what amendments to the Affordable Housing CIP and what financial incentive programs are approved by Municipal Council for implementation. Civic Administration are of the opinion that implementing all the consultant's recommendations is not possible without additional funding. A financial analysis will be completed by Civic Administration to assess the financial impacts of the recommendations. This analysis will be provided in a future committee report, inclusive of potential funding options.

1.3 Housing-Related Community Improvement Plans

A Community Improvement Plan (CIP) is a policy tool municipalities may adopt under the Planning Act to coordinate community improvements specified therein, within a defined community improvement project area. To achieve the strategy, CIPs allow a municipality to take actions such as:

- identify changes needed to land use planning policy, zoning, other by-laws, and practices;
- acquire, rehabilitate, and dispose of land;
- provide grants and loans to property owners that would otherwise be unavailable; and

- direct investments made to infrastructure and public space.

A housing-related CIP has a stated objective to assist in the provision of housing. This is the case in 10 City of London CIPs:

- Affordable Housing (additional details in section 1.3 below)
- Brownfield
- Heritage
- Argyle Core
- Core Area
- Downtown
- Hamilton Road Area
- Lambeth Area
- Old East Village
- SoHo

Properties within these housing-related community improvement project areas are eligible for financial incentive programs under their respective Community Improvement Plan.

Financial incentive program uptake varies widely by CIP with Downtown and Old East Village remaining the most active and offering the most programs.

1.4 Affordable Housing Community Improvement Plan

The Affordable Housing Community Improvement Plan (CIP) was adopted by Municipal Council in 2020. The purpose of the Affordable Housing CIP is to:

- define affordable housing needs based on household incomes and define affordable housing for the purpose of the CIP and its proposed programs, noting various tools under the Affordable Housing Development Toolkit may define affordable differently or address different housing choices;
- establish CIP objectives to address the provision of affordable housing and other city-building objectives;
- identify opportunities to develop incentives and/or programs to support the development of affordable housing; and
- identify monitoring measures to assist with future housing monitoring reports and to identify successes of any programs offered under this CIP.

The Affordable Housing CIP is one piece in a larger toolkit and policy framework that addresses affordable housing and homelessness in London. As such, the scope of the Affordable Housing CIP addresses only certain aspects of housing affordability, such as helping off-set the upfront cost of development and constructing additional residential units. This CIP does not directly address housing for those experiencing homelessness.

Under the City's *Roadmap to 3,000 Affordable Units* Civic Administration have been actively preparing land for disposition to potential affordable housing developers in addition to supporting projects brought forward by groups like Vision SOHO. As a complement to the Roadmap to 3,000, the Affordable Housing CIP has the potential to provide another mechanism whereby a housing developer of affordable housing units can close the proforma gap in capital funding needed to construct.

The Affordable Housing CIP also does not directly plan for or fund regeneration of London and Middlesex Community Housing (LMCH) or other community housing providers' sites.

The Affordable Housing CIP provides the legislative and policy framework to provide municipally funded financial incentive programs to private property owners that support the goals of the CIP.

The Affordable Housing community improvement project area applies city-wide.

The Affordable Housing CIP offers two financial incentive programs:

- Affordable Housing Development Loan Program
- Additional Residential Unit Loan Program

The **Affordable Housing Development Loan Program** is intended to encourage the creation of new affordable rental housing units and to off-set the up-front costs of developing new affordable housing units. This program is designed for the development or redevelopment/renovation of buildings with mixed market and affordable units and/or a range of affordable units. Each affordable unit created in the building is eligible for a loan from $10,000 to $20,000 depending on the level of affordability of the units (i.e. how much the unit rental cost is below Average Market Rent), whether the developer pays property taxes, and the geographic location of the project.

As of writing this report, Civic Administration has received two applications for this loan, but both applicants did not end up taking the loan.

The **Additional Residential Unit (ARU) Loan Program** provides a loan of up to $20,000 for the creation of an ARU within an existing residential building or on the same property (for example, above/in a garage or in a coach house). To be eligible for this loan, the main dwelling on the property must be owner-occupied and a valid Residential Rental Unit License (RRUL) must be maintained and renewed annually with the City. ARUs that use this incentive program are not permitted to operate as short-term rental accommodations.

As of writing this report, Civic Administration has issued two ARU loans to property owners, and two additional applications are approved. The loans will be issued once the projects are completed and the final building permit inspection has passed.

1.5 Housing Accelerator Fund

On September 19, 2023, London’s Housing Accelerator Fund (HAF) Application was approved by the Federal government. The primary objectives of the HAF are to encourage housing supply growth and enhance certainty in development approvals. London’s approved application provides a housing target of 2,187 additional units between 2024-2026 under the Housing Accelerator Fund.

The consultant took into consideration the following HAF initiatives when providing their recommendations on CIPs and financial incentive programs for increasing affordable housing:

- encouraging Additional Residential Units—a second smaller unit on the same property as a primary unit;

- promoting infill developments (adding new units to existing communities) with increased housing density and a variety of unit types (e.g., duplexes or secondary suites)

    - noting: Increasing housing supply is elevated in its importance for London to provide and support housing need driven by major new employers;

- encouraging alternative forms of housing construction such as modular housing, manufactured housing, and prefabricated housing;

- create a process for the disposal of city-owned land assets for the development of affordable housing as-of-right (i.e. sites not requiring rezoning)

    - noting: Through this initiative, the city aims to address the affordable housing crisis, utilize public assets effectively, create inclusive communities, and contribute to the city's sustainability goals. Through this initiative the City will focus on a program to create shovel ready affordable housing projects; and

- partnering with not-for-profit housing providers to preserve and increase the stock of affordable housing.

2.0 Discussion and Considerations

2.1 Project Overview

A consultant team lead by Tim Welch Consulting Inc. (TWC) and including their sub-consultants Parcel Economics and NPG Planning Solutions was retained to assist in implementing Council direction cited in section 1.5 above, through a review and analysis London's housing-related CIPs — including the Affordable Housing CIP — and related financial incentive programs to develop recommendations aimed at increasing the supply of affordable housing in London.

Several deliverables were contracted from the consultant team, including, but not limited to:

- analyzing the City's Affordable Housing CIP and financial incentive programs to determine what aspects can be modified to further incentivize the creation of affordable housing units;
- reviewing emerging trends and best practices regarding affordable housing financial incentive programs, and their success, from other jurisdictions, that could be applicable to the City of London;
- defining terms such as housing affordability and affordable housing minimums;
- analyzing London's current market trends for varying rental types;
- determining the financial gap(s) in a typical housing development financial pro forma that would need to be addressed to incentivize the construction of affordable housing of various unit types;
- identifying potential amendments to policy and programs in the Affordable Housing CIP to remain effective in current and anticipated market conditions;
- conducting a comprehensive assessment of all housing-related CIP goals and objectives to determine suitability for integration of an affordable housing component;
- developing performance targets to determine the success of housing-related financial programs(s);
- engaging with relevant organizations to discuss the project and under the development market in London.

TWC's analysis detailed in Appendix "A" shows that since the adoption of the Affordable Housing CIP in 2020 there has been significant changes in the London real estate market, the cost to construct affordable housing, and how affordable housing is being developed.

Sections 2.2 to 2.6 below provide a brief overview of TWC's full report.

2.2 Affordable Housing CIP Best Practices

TWC reviewed 11 municipalities in Ontario to determine affordable housing best practices that have worked well in other municipalities and should be considered for incorporation or continuation in London's Affordable Housing CIP. The following identifies and summarizes best practices in the context of the typical elements included in a CIP, with a focus on creating more affordable and sustainable housing in London.

Geographic Boundaries – The affordable housing community improvement project area should remain the entire municipal area, but it may be appropriate to classify sub-areas based on specific criteria, such as existing infrastructure, public transit, services, and amenities.

Objectives – The primary objective of an affordable housing CIP is to facilitate the development of affordable housing to ensure current and future housing needs for low- and moderate-income households are met. Secondary objectives can include, for example, urban design excellence and public realm improvements.

Agreements – An agreement between the City and the recipients of funding from an affordable housing CIP financial incentive program are required.

Monitoring – CIPs typically outline a framework for monitoring and evaluating financial incentive programs.

Financial Incentive Programs – CIPs are one method to offer private property owners financial incentives to encourage affordable housing construction. In general, municipal programs to incentivize affordable housing are intended to be stacked with funding available from provincial and federal governments. The stacking of program funding in the affordable housing sector is critical to a project's success.

Selecting Grants – Establishing financial incentive application submission and review processes.

2.3 Review of London's Existing Housing-Related CIPs

TWC completed a review of all existing housing-related CIPs within the City of London. These CIPs focus on a number of important city building goals such as preservation of heritage buildings, brownfield remediation, enhancements of commercial main streets and the provision of housing in specific areas. Besides the Affordable Housing CIP, the other housing-related CIPs are not focused on the provision of affordable housing. The financial incentive programs available through the existing housing-related CIPs could result in housing; however, there is no requirement for the provision of affordable housing.

The review of the existing housing-related CIPs highlights the following findings:

Indirect Support for Housing – There are financial incentive programs that indirectly support the creation of additional housing. For example, grants and loans for exterior building improvements create more attractive buildings, streetscapes, and communities. These investments create the opportunity for additional housing; however, these programs are not directly focused on creating housing. TWC has recommended to not require the provision of affordable housing units as part of these financial incentive programs (e.g., Façade Improvement Loan Program) as the funding amounts are not sufficient nor directed to the provision of affordable housing. Requiring affordable housing units among financial incentive program eligibility requirements could undermine the uptake of the programs.

Direct Support for Housing – There are financial incentive programs that support the creation of new housing through investment by the City and the property owners (e.g., Residential Development Charges Grant Program). These programs directly support the creation of new housing. As noted in more detail in Sections 2.4 and 2.5, while these programs provide direct support to housing, they do not provide the funding levels required to support the creation of affordable units.

2.4 Financial Feasibility and Gap Analysis

Parcel Economics undertook a robust pro forma analysis to answer two questions:

1. ***What is the financial 'gap' associated with providing affordable rental housing in London for both for-profit and non-profit developers?***

The financial gap per unit for the non-profit development sector — when accessing current Federal housing initiatives — ranges from $139,000 for properties outside of the downtown to $159,000 for downtown on average. For the private sector developer to develop housing at affordable rents, the existing per unit gap increases to $220,200 outside of the downtown to $237,500 in the downtown on average.

Table 1 below compares the funding per unit for a non-profit rental building between the consulting work undertaken in 2021 for the *Roadmap to 3000 Affordable Units* and the work done as part of the CIP Review assignment. In addition to an increase in construction costs between 2021 and 2024, some of the CMHC funding programs have changed which has an impact on the overall proforma. However, the factor that affects the proforma the most is the prime interest rate and the overall cost of lending.

Table 1: Funding Per Unit for Non-Profit Rental Building – Comparison of CIP Review (2024) and Roadmap to 3,000 (2019) Proforma Analysis

	CIP Review (2024)	
Funding per Unit (80-unit building)	Downtown Building	Outside of Downtown Building
Own Sources, CMHC Affordable Housing Fund Loan	$188,000	$188,000
CMHC Affordable Housing Fund Forgivable Loan	$75,000	$75,000
Financial Gap	$159,000	$139,000
	$422,000	**$402,000**

Roadmap to 3,000 (2019)	
Funding per Unit (40-unit building)	Typical Building
Own Sources, CMCH Co-Investment Loan	$219,000
CMHC Grant	$60,000
Rebates, Grants, and Waivers, Land, OPHI	$112,000
	$391,000

2. ***How could up-take of the Downtown Residential Development Charges Grant Program and Rehabilitation and Redevelopment Tax Grant Program change if there was a requirement that a portion of the units in the building must be leased at affordable monthly rent?***

The analysis completed by Parcel Economics identified that the current housing-related CIPs and the related financial incentive programs are serving their intended purpose, by ‘levelling the playing field’ when it comes to the financial viability of development within the downtown and other areas of the city.

The analysis reviewed the financial feasibility of developing in the downtown under varying levels of potential affordability requirements, as well as the impact on the existing Downtown Combined Development Charge (DC) and Tax Grant Program. Parcel Economics analysis determined that adding a program requirement that 5% or 10% of units must be affordable to be eligible for these CIP financial incentives would result in it being more financially viable to develop outside the downtown. Therefore, including an eligibility requirement for a share of units to be affordable, without any additional financial incentive could reduce uptake of these existing programs, as capital could flow to other areas of the city, or outside of the city altogether, where financial returns are higher.

Parcel Economics analysis was reviewed by Municipal Housing Development staff who concluded the analysis appears thorough and well-structured, providing a clear framework for understanding and addressing the financial challenges associated with creating affordable housing in different urban contexts.

2.5 Tim Welch Consulting Inc. Recommendations to Consider

The consultant has provided 18 recommendations for the City of London to consider implementing to increase the supply of affordable housing. Their recommendations have been grouped into five categories:

- Affordable Housing CIP – General Recommendations;

  1. Updating the definitions of affordability
  2. Review and update the Affordable Housing CIP's Goals and Objectives
  3. Review the Affordable Housing Community Improvement Project Area

- Affordable Housing CIP – Incentive Program Recommendations;

  4. Introduce new financial incentive programs for the Affordable Housing CIP
  5. Tax Increment Equivalent Grant Program
  6. Capital Grant Program
  7. Amend the existing Additional Residential Unit Program
  8. Create an Additional Residential Unit Pilot Program
  9. Municipal Fee Exemption Program
  10. Pre-Construction Grant Program
  11. Introduce a Land Banking and Disposal Program

- Affordable Housing CIP – Implementation Recommendations;

  12. Review and report back on the coordination and program delivery of affordable housing programs across the Corporation of the City of London
  13. Amend the Affordable Housing CIP to implement performance targets and monitor them
  14. Implement a communications and marketing strategy for the Affordable Housing CIP

- Housing-Related CIP Recommendations related to the financial incentive programs in other CIPs;

  15. Not introducing affordable housing minimums to Housing Related CIP financial incentive programs

- Broader Affordable Housing Recommendations that speak to some items for consideration outside of the core CIP related recommendations.

  16. Investigate updating the Zoning-By-law to allow for affordable housing citywide without the need for a Zoning By-law Amendment
  17. Create financial incentive programs to upgrade existing private rental stock that meets the 80% or 100% Average Market Rent thresholds
  18. Assign City staff as a concierge to act as consistent point of contact for affordable housing project proponents to help navigate City approval processes

A high-level summary is provided below with full details available in the Consultant's Report in Appendix "A".

General Recommendations for the Affordable Housing CIP

General Recommendations for the Affordable Housing CIP include updates to the definition of affordability, its goals and objectives, and its community improvement project area.

The recommended definition for affordability is broken into two levels: 80% of Average Market Rate (AMR) Affordable Housing and 100% of Average Market Rate (AMR) Affordable Housing, as defined by CMHC. The 80% AMR rate aligns with the current definition in the *Roadmap to 3,000 Affordable Units* and the threshold for CMHC funding. The 100% AMR rate aligns with the Provincial definition for Development Charges exemption. When calculating the 100% AMR rents, CMHC takes account of all rents currently paid in an area and averages them. This means that long-term tenants who are paying significantly less than current advertised rents are averaged into the calculation. The result is a market rent that can be less than what is requested by developers of new apartment units. Both levels of affordability represent significantly lower rents than the current advertised rental rates in the City of London.

To create more deeply affordable housing, a recommendation is that housing providers be required to make at least 20% of new affordable rental units available for rent supplemented units, subject to availability of rent supplement funds provided through the City.

A Land Banking program is also recommended for inclusion in an amended Affordable Housing CIP, building on the City's existing programs and directives to use City-owned land for affordable housing.

Financial Incentive Program Recommendations for the Affordable Housing CIP

A package of financial incentive programs is recommended. The financial incentive package for units to be rented at both 80% of average market rate and at 100% of the average market rate are listed below:

Table 2: Summary of Recommended Financial Programs

	80% of Average Market Rate Affordable Housing	100% of Average Market Rate Affordable Housing
Tax Increment Equivalent (TIEG) Program	100% of the tax increment for 20 years, phased up to full property taxes at 25 years	75% of the tax increment for 20 years, phased up to full property taxes at 25 years
Capital Grant Program	$75,000 per affordable unit: $30,000 from CIP $45,000 from Roadmap	$50,000 per affordable unit
Municipal Fee Exemption Program	Eligible affordable projects fully exempted	Eligible affordable projects 75% exempted
Pre-Construction Grant Program	$2000/unit up to $50,000 for the project for up to 50% of eligible costs	

In addition, a modified Additional Residential Unit (ARU) program is recommended, which includes a grant program for the construction or conversion into new residential units on existing residential lots. Grants of $25,000 are recommended for building market rate units. TWC is also recommending a pilot program to test the take-up of a larger grant amount of $50,000 for building affordable units.

Implementation Recommendations for the Affordable Housing CIP

How financial incentive programs are implemented is important to ensure program objectives are met. It is critical that Civic Administration create a one window contact for project proponents and combine into one legal agreement City financial assistance from all sources, regardless of whether the funding source is from HAF, Roadmap, or a CIP Reserve Fund. Programs that provide incentives or assistance for the creation of affordable housing should be coordinated and consolidated between the Roadmap and CIPs where possible.

It is also important for the City to reach out directly to private sector and non-profit housing developers to promote revised and new financial incentives for affordable housing development. TWC has prepared a full marketing strategy to assist in these communications.

Housing-Related CIPs Recommendations

Following TWC's analysis of London's other housing-related CIPs it is recommended to maintain other CIP financial incentive programs as they are, without an additional affordability requirement. Given the differing goals in the other existing housing-related CIPs, in addition to the large funding gap required to be overcome to be able to provide units of affordable housing, a requirement for affordability being added to these financial incentive programs would likely mean that the existing housing-related financial incentive programs are no longer financially feasible for potential applicants of new housing in the defined community improvement project areas where more residential development is a stated goal. It is recommended that all CIP financial incentive programs stack with each other, so that those who are looking to provide affordable housing units can also access other related programs to improve their developments.

Broader Affordable Housing Recommendations

In addition to the core project recommendations, additional items to consider around the efficient provision of affordable housing include updating zoning to allow for affordable housing without the need for zoning approvals, a program for upgrades to existing rental stock to ensure necessary repairs are made without jeopardizing long-term affordability of units, as well as a dedicated City staff member to act as a concierge to assist with the coordination and expedition of required municipal approvals for affordable housing developments.

2.6 Engagement

TWC undertook community engagement between February and April 2024 to help inform their recommendations.

A total of 10 targeted virtual interviews were conducted — six with private developers and four with municipal and non-profit housing providers. Further, a 1.5-hour focus group with the non-profit sector occurred virtually. The project originally targeted two focus groups; however, the focus group with the private developers was not held due to lack of response.

A 'needs focused' focus group was also held with housing providers, those working directly with individuals who require affordable housing, and non-profit housing developers. This focus group discussed the definition for affordable housing and provided feedback on development opportunities and challenges for non-profit housing in London.

3.0 Financial Impact/Considerations

Incentives offered through the Affordable Housing CIP form one part of a financial package to assist in the creation of affordable housing in London. The *Roadmap to 3,000 Affordable Units* managed by Municipal Housing Development is another part, and until 2026, funding is also available through the HAF.

Of the approved up to $74M in HAF funding, $20M is available for per-unit financial incentives to support Community Improvement Plans and Financial Incentive Programs to support multi-unit non-residential conversions and multi-unit transit-oriented housing.

$10M of the $20 million has been earmarked for office-to-residential conversions in the downtown; however, the remaining $10M could potentially be used to help construct affordable housing near transit.

Business Case P-42 Initiative #12 approved through the 2024-2027 Multi-Year Budget includes $21.1 million in funding for a variety of CIPs and financial incentive programs, including low-cost housing and attainable housing with the primary transit area. $20M of the funding is from HAF, as discussed above, and $1.1M is tax-supported for 2027.

Affordable Housing CIP financial incentive programs are funded through the tax-supported Community Improvement Program Reserve Fund (CIP Reserve Fund). The

CIP Reserve Fund also handles the bulk of all financial incentive program funding requests from all other CIPs. Civic Administration maintains a projected target balance in the CIP Reserve Fund that accounts for projected drawdowns from all programs supported by the reserve fund. The projected balance is revised as projected drawdowns are realized or revised. Tax supported contributions average $2.6 million annually from 2024 to 2027. As of March 31, 2024, the current uncommitted balance of the CIP Reserve Fund is approximately $4.3 million (with further net drawdowns forecasted for the coming years), which is below the minimum target balance of $5.4 million for this fund. This illustrates that there is little additional capacity for new financial incentives without additional funding.

As the existing Community Improvement Program Reserve Fund handles financial incentive programs from numerous CIPs, introducing new Affordable Housing financial incentive programs will have an impact on the Reserve Fund. This financial impact will depend on what amendments to the Affordable Housing CIP and what financial incentive programs are approved by Municipal Council for implementation. Civic Administration are of the opinion that implementing all the consultant's recommendations is not possible without additional funding. A financial analysis will be completed by Civic Administration to assess the financial impacts of the recommendations. This analysis will be provided in a future committee report, inclusive of potential funding options.

4.0 Acknowledgements

The following City staff are thanked for their contribution to the Community Improvement Plans Review for Increasing Affordable Housing project:

- Alan Dunbar – Manager, Financial Planning and Policy
- Asrin Eiveri – Policy and Program Analyst, Economic Services and Supports
- Jasmine Hall – Planner, Municipal Housing Development
- Kyle Murray – Director, Financial Planning & Business Support
- Meg Sundercock – Senior Housing Development Coordinator, Municipal Housing Development

Conclusion

Through the 2023 Five-Year CIP Review Municipal Council directed a review of the Affordable Housing CIP and other housing-related CIPs to help determine how to better incentivize affordable housing.

This staff report and the comprehensive report attached as Appendix "A" from Tim Welch Consulting Inc., executes recommendations d) xi) and e) from the Five-Year CIP Review.

Tim Welch Consulting Inc. has submitted 18 recommendations for the City of London to consider to help increase the supply of affordable housing.

Civic Administration is seeking Municipal Council's direction to implement numerous recommendations and report back on other recommendations that have a financial impact or require further review.

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Appendix A – Tim Welch Consulting Inc. Report – City of London Community Improvement Plan Review for Increasing Affordable Housing Supply

CITY OF LONDON

COMMUNITY IMPROVEMENT PLAN REVIEW FOR INCREASING AFFORDABLE HOUSING SUPPLY

FINAL REPORT

May 2024

London CANADA

TWC tim welch consulting inc

NPG PLANNING SOLUTION

Parcel

Community Improvement Plan Review for Increasing Affordable Housing Supply

Prepared for the Economic Services and Supports Division, City of London

FINAL REPORT

May 2024

Prepared By

Acknowledgements

We would like to thank all community partners and organizations that participated by providing input through our interviews and various consultation activities. We truly appreciate your time and input.

We would also like to thank City staff who contributed directly and indirectly to the completion of this report to increase affordable housing supply through the review of the CIP. This report would not have been possible without your knowledge, experience, and valuable input.

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Executive Summary

The need for more affordable housing – with a range of affordability – is significant in the City of London. The City of London has recently grown in population very quickly. It has a comparatively high percentage of households who rent and those with household incomes of less than $60,000 per year. Average rental prices have substantially increased in the last half decade, making market rate rentals unaffordable for many residents.

The City's current Affordable Housing Community Improvement Plan (CIP) therefore requires updating. There have been no funds granted for new affordable multi-residential housing, and only four Additional Residential Unit (ARU) loans applications. The current CIP is not well known nor understood by the development community and offers very modest financial assistance.

The responsibility for creating new affordable housing is shared between the Federal, Provincial, and Municipal governments. The recent allocation of Federal *Housing Accelerator Funds* to the City of London, combined with some of the existing City housing initiatives (i.e. *Roadmap to 3,000 Affordable Units*) offer an opportunity for the City to take actions that will stimulate a significant amount of new affordable housing.

The financial gap for the non-profit development sector – when accounting for access to current Federal housing initiatives – was determined to be about $139,000 - $159,000 per unit. For the private sector to develop housing at affordable rents, the existing gap is about $222,000 - $237,500 per unit.

This financing gap has recently been reduced due to new Provincial legislation exempting both private and not-for-profit developers from the requirements to pay Development Charges for building units that rent in London at 100% of Average Market Rent or less. While this change is reflected in Figure 2, a significant funding gap remains for all developers looking to construct affordable housing.

Project Recommendations

Recommendations stemming from the project's analysis are summarized into five categories:

- *Affordable Housing CIP* – General Recommendations;
- Incentive Program Recommendations;
- Implementation Recommendations;
- Housing-Related CIP Recommendations around the housing programs in other CIPs; and
- Broader Affordable Housing Recommendations that speak to some items for consideration outside of the core CIP related suggestions.

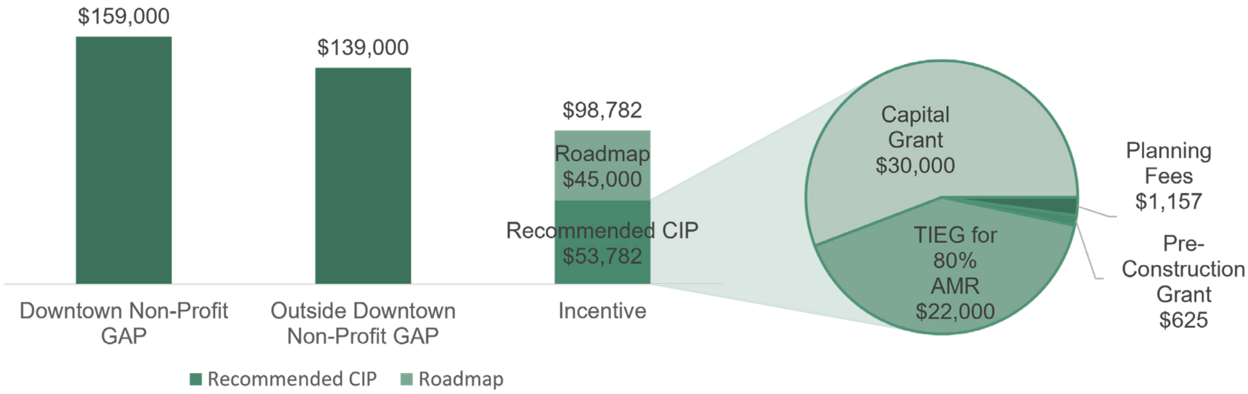

Figure 1: Estimated Costs of Financial Incentives per Unit for 80% of Average Market Rate Housing Units and Funding Gap for Non-Profit Housing Units

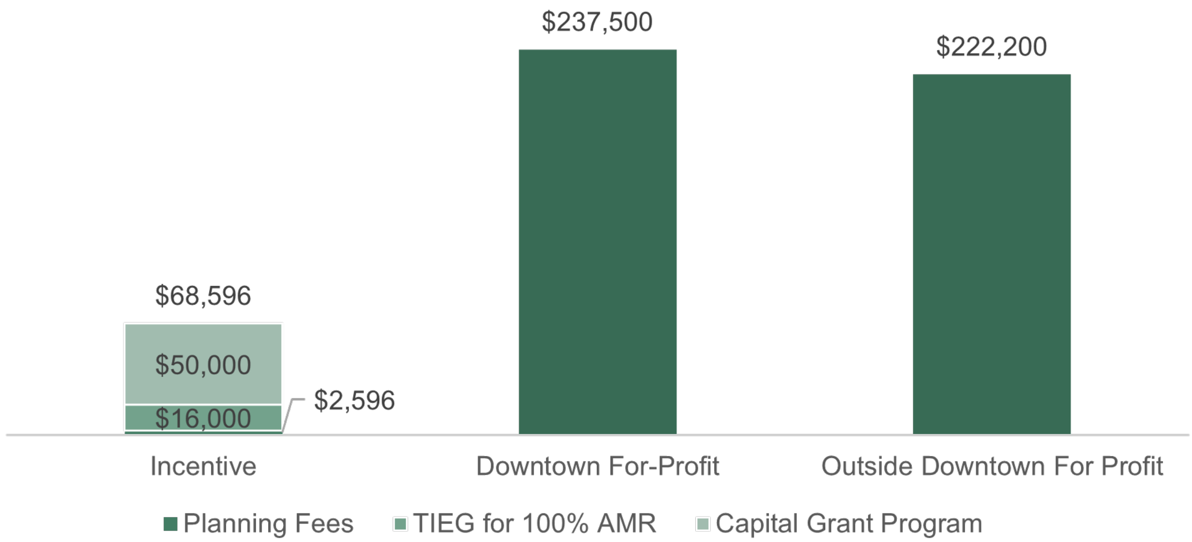

Figure 2: Estimated Costs of Financial Incentives per Unit for 100% of Average Market Rate Housing Units and Funding Gap for For-Profit Housing Units

General recommendations for the *Affordable Housing CIP* include updates to the definition of affordability, its goals and objectives, and Community Improvement Project Area (CIPA). The recommended definition for affordability is broken into two levels: 80% of Average Market Rate (AMR) Affordable Housing and 100% of AMR Affordable Housing, as defined by CMHC. The 80% AMR rate aligns with the current definition in the Roadmap to 3,000 Affordable Units and the threshold for CMHC funding. The 100% AMR rate aligns with the Provincial definition for Development Charge exemption. Both levels of affordability represent significantly lower rents than current market rates in the city as detailed in Table 1.

To create more deeply affordable housing, housing providers would also be required to make at least 20% of new affordable rental units available for rent supplemented units, subject to availability of rent supplement funds from the City.

Table 1: Rental Rate Comparision

Rental Tiers	Bachelor/Studio	1-Bedroom	2-Bedroom	3+ Bedroom
Market Rents	$1,570	$1,870	$2,340	$2,660
100% of Average Market Rent	$961	$1,192	$1,469	$1,533
80% of Average Market Rent	$769	$954	$1,175	$1,218

Source: Market Rents - Parcel Economics, see Section 2.3
Average market rents - Canada Mortgage and Housing Corporation (CMHC), October 2023

Table 2: Summary of Recommended Financial Programs

CIP Programs	80% of Average Market Rate Affordable Housing	100% of Average Market Rate Affordable Housing
TIEG Program	100% for 20 years, phased up to full at 25 years	75% for 20 years, phased up to full at 25 years
Capital Grant Program	$30,000 per affordable unit (in addition to $45,000 Roadmpap grant)*	$50,000 per affordable unit
Municipal Fee Exemption Program	Eligible affordable projects fully exempted	Eligible affordable projects 75% exempted
Pre-Construction Grant Program	$2000/unit up to $50,000 for the project for up to 50% of eligible costs	N/A

**This amount assumes projects will already be receiving the $45,000 grant for an affordable unit through the Roadmap to 3,000 Affordable Units program, so the CIP Capital Grant Program will act as a top up. Recommended Program requirements should be aligned with the Roadmap and applicants should only be required to sign one Contribution Agreement.*

To help further bridge the funding gap noted above, a package of financial incentives is also recommended. The financial package for units at both 80% of AMR and 100% of the AMR are listed in Table 2.

In addition, a modified Additional Residential Unit (ARU) program is recommended, which includes a grant program for the construction or conversion of new residential units on existing residential lots. $25,000 grants are recommended for market rate units. We are also recommending a pilot program to test the uptake of a larger $50,000 grant for affordable units.

A Land Banking program is also recommended for inclusion in an amended CIP, building on the City's existing programs and directives, to utilize City owned land for affordable housing.

Implementation, beyond the programs offered through a CIP, is just as important to ensure their success. It will be critical that City administration create a one window contact for proponents and one administrative funding agreement for City assistance, regardless of whether the funding source is HAF, Roadmap, or another source. Programs that provide incentives or assistance for the creation of affordable housing should be coordinated and consolidated where possible.

It will also be important for the City to thoroughly reach out directly to private and non-profit housing developers sector organizations to promote this revamped housing initiative. A full marketing strategy has been created to inform these communications.

A performance target of 160 units is recommended for the proposed *Affordable*

Housing CIP over the next 3 years – this includes approximately 60 units of each 80% and 100% of AMR Affordable Housing units.

Following an analysis of housing related CIPs, it is recommended to maintain other CIP programs as they exist currently, without an additional requirement of affordability. Given the differing goals in the existing CIPs, in addition to the large funding gap required to provide affordable housing units, a requirement for affordability would substantially affect uptake. It is recommended that all CIP grant and loan programs stack with each other, so that those who are looking to provide affordable housing units can access other related programs to improve their developments.

Additional items for consideration to encourage both the creation and long-term maintenance of affordable housing developments include updating zoning to allow for affordable housing for as-of-right zoning, a program for upgrades to existing rental stock to ensure necessary repairs are made without jeopardizing long-term affordability of units, and a dedicated staff member as concierge to assist with the coordination and expedition of required municipal approvals for Affordable Developments.

1. INTRODUCTION

The City of London has engaged Tim Welch Consulting (TWC) and their sub-consultants NPG Planning Solutions and Parcel Economics to review the City's current Community Improvement Plan (CIP) housing programs. As part of this project, CIP Review for Increasing Affordable Housing Supply, the project team was asked to review the *Affordable Housing CIP* as well as other housing-related CIPs. The requested project deliverables are detailed in Appendix A.

The review of the *Affordable Housing CIP* followed the City's 5-Year Review of its CIP programs and subsequent recommendations, which called for a review of the Plan to improve uptake of programs. The review of the housing related CIPs was included following direction from City Council to examine the current provision of CIP programs that relate to housing and determine if they should include the additional requirement of affordable housing and if the City should be providing financial incentives for residential development that doesn't include an affordability component.

The project team completed a background analysis, including:

- a review of existing housing programs at the City, existing CIPs, as well as other relevant reports;
- a review of housing programs in other relevant municipalities in southern Ontario;
- analysis of relevant definitions of affordable and attainable housing;
- a demographics and trends analysis of the City including housing and relevant household statistical information;
- an analysis of London's current market trends; and
- a financial gap analysis in consideration of funding new affordable housing units.

The project also included engagement, by way of interviews and focus groups, with interest holders, including those currently building both non-profit and for-profit housing in the city. Following the engagement, analysis by the project team created recommendations for the City of London around their current housing related CIPs, with the goal of increasing the supply of affordable housing units created in the city.

2. OVERVIEW

2.1 Comparative Analysis of CIPs

Analysis was undertaken by the project team to review other municipal CIPs and housing programs in Ontario as well as the City of London's existing CIPs. Full summaries and analysis can be found in Appendix C and D, and preliminary recommendations from both reviews can be found below.

2.1.1 Affordable Housing CIP Best Practices

CIPs, as a policy tool, vary in terms of their geographic reach, specificity of program requirements, and the level of detail provided. *Affordable Housing CIP*s leverage public, non-profit, and private sector investment.

Best practices are the aspects of the programs reviewed that have worked well in their respective municipalities and should be considered, in part or entirety, for incorporation in the City of London's CIP update, in combination with the additional review and analysis in Appendix D. This Appendix includes a list of Housing CIPs and programs within larger municipalities in Ontario. The table below identifies and summarizes best practices in the context of the typical elements included in a CIP, with a focus on the aspects that can assist in the creation of more affordable housing for the City of London.

The following practices should be considered in the updating of the City of London's *Affordable Housing CIP*:

Table 3: CIP Review Best Practices Findings

Best Practice	Discussion
Geographic Boundaries	Some Community Improvement Project Areas ("CIPAs") cover specific neighbourhood footprints within cities, whereas others cover the whole of the municipality. The latter is appropriate for incentive programs that are not intended to encourage development into specific areas within a municipality. Where desirable in the local context area, specific CIPAs can be delineated, or evaluation/eligibility criteria used to limit incentive program eligibility to specific areas. It may be desirable to have affordable housing located throughout London, for example, but preferrable for most CIP funds for affordable housing to be directed to projects located near existing infrastructure, public transit, services, and amenities.

Best Practice	Discussion
Objectives	The primary objective of an *Affordable Housing CIP* should be to facilitate the development of affordable housing to ensure current and future housing needs of low- and moderate-income households are met. Secondary objectives can include providing a continuum of housing options, urban design excellence, public realm improvement, and enhanced sustainability/energy efficiency.
Agreements	Recipients of funding from an *Affordable Housing CIP* are generally required to enter into an agreement with the municipality. General requirements for agreements can be outlined in CIPs. They may include special requirements such as ensuring that affordable units receiving funds will not be used for short-term rental accommodation and specifying how long affordable units are to remain “affordable”. For renovation and/or investment in existing buildings, existing tenants must be protected. The duration a funded affordable unit must remain “affordable” is typically based on the specifics of a project (i.e., the type of housing involved), as well as the incentive program and level of funding provided. A minimum 20-year time horizon is common in many of the CIPs/municipal funding programs reviewed.
Monitoring	CIPs typically outline a framework for monitoring and evaluation of incentive programs, including: • A database to collect and store data relevant to the CIP. • Performance indicators to evaluate incentive programs and funding • An annual report card that summarizes applications received, funded projects, and • Outcomes attributable to the incentive program funding.

<table>
<tr><th>Best Practice</th><th>Discussion</th></tr>
<tr><td>Incentive Programs</td><td>The following incentive programs are found within CIP programs aimed at affordable housing, and are ones we will be considering for London’s CIP:
• property tax increment grants.
• development charge waivers, deferrals, or reductions.
• rebate or waiver of planning and/or building permit fees.
• targeted grants to assist with renovation/construction costs for additional residential dwellings and/or secondary dwelling units.
• grants or loans for pre-construction development costs, including planning studies and other project soft costs.
Some Affording Housing CIPs include additional incentive programs, including expedited approvals for affordable housing projects.
In general, municipal programs to incentivize affordable housing are intended to be combined or ‘stacked’ with funding available from provincial and federal governments, as well as non-government funding programs when available. This stacking of funding in the affordable housing sector is critical, especially considering increasing construction costs and rising interest rates. The funding for CIPs is generally funded through the municipal tax base, or in some cases a municipal reserve fund, and increasingly from federal funding available through initiatives such as the Housing Accelerator Fund (HAF).</td></tr>
<tr><td>Selecting Grants</td><td>Determining application submission and review processes, including:
• Eligibility, scope, timing, and suitability criteria for evaluation.
• Regular intakes for incentive programs targeting funds for larger projects and a first come, first serve basis for smaller projects.
• Transparent processes and communication for application review.
• Some CIPs, such as the Housing for Hamilton CIP, target deeply affordable housing creation and specify projects that serve households below the 40th income percentile.</td></tr>
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2.1.2 CIP Review: City of London Existing CIPs

A review and summary of all existing CIPs within the City of London was completed and can be found in Appendix C of this report. These CIPs focus on a number of important city building goals such as preservation of heritage buildings; brownfield rehabilitation; enhancements of commercial main streets; and provision of housing. These existing CIPs are not focused on the provision of affordable housing. There are elements of the CIP financial programs that could result in housing; however, there is no requirement for the provision of affordable housing. The review of the CIPs above highlights the following findings:

Table 4: City of London CIP Review Findings and Analysis

Themes	Discussion
Indirect Support for Housing	There are a number of programs that indirectly support the creation of additional housing in the CIP areas. For example, grants and loans for exterior building improvements create more attractive buildings, streetscapes and communities. These investments create the opportunity for additional housing; however, these incentive programs are not directly focused on creating housing, they are indirect supports to the creation of new housing through investment in buildings and communities. It is not recommended to require the provision of affordable housing units as part of these incentive programs (Façade Improvement Loan Program, Safety Audit Grant Program, Boulevard Café Grant Program, Sign Grant Program, and Front Yard Tree Planting Program) as the funding amounts are generally not sufficient nor directed to the provision of affordable housing. Requiring affordable housing units as part of the above incentive programs could undermine the uptake of the programs as the costs of housing construction would exceed the incentive.
Direct Support for Housing	There are a number of programs that support the creation of new housing through investment by the City and the property owner. These directly support the creation of new housing. As noted in the project's recommendations, while these programs provide direct support to housing, they do not provide the funding levels required to support the creation of affordable units. As a principle, investigating and leveraging investment in direct housing incentives for affordable housing is important and should be part of the *Affordable Housing CIP* update to broaden the provision of affordable housing.

2.2 Emerging Trends

To understand the current trends in the City of London, both for housing as well as population demographics, a Housing Demographics and Trends report was created. The full report can be found in Appendix F.

Figure 3 highlights the City of London's population demographics as well as current housing trends. These statistics are compared against mid-sized and large municipalities in southwestern Ontario and the Province as a whole for an illustration of London's context and housing needs.

The City of London is experiencing a greater rate of population growth compared to other municipalities in southwestern Ontario, double the rate of Ontario's overall growth from 2016 to 2021. Further to this, 43% of households in the City earn less than $60,000, higher than the Provincial average of 35%. It is worth noting that 42% of households in London are renters, second only to Toronto within the Province. Further indicators of significant need for affordable housing include the percentage of households experiencing core housing need and those living in unaffordable housing.

Core housing need is defined by CMHC as households living in an unsuitable, inadequate, or unaffordable dwelling that cannot afford alternative housing in their community. It also refers to whether a private household's housing falls below at least one of the indicator thresholds for housing adequacy, affordability, or suitability, and would have to spend 30% or more of its total before-tax income to pay the median rent of alternative local housing that is acceptable. Unaffordable housing is defined as a household that spends more than 30% of its income on shelter costs. 11% of all households in London experience CMHC defined core housing need and that a quarter of all London households are living in unaffordable housing.

Consistent with housing trends across the Province, London has experienced a 30% increase in average rental prices for apartments between 2019 and 2023, 4% greater than the Provincial increase. These statistics highlight the urgency for housing in a city with a growing population in need of affordable housing suitable to the needs of London's residents.

		LONDON	HAMILTON	TORONTO	KITCHENER*	ONTARIO
POPULATION GROWTH	The City of London's population grew by **10%** from **2016 - 2021,** double the percentage of Ontario's overall growth in the same timeframe	10%	6%	2%	10%	6%
< $60,000 HOUSEHOLD EARNINGS	In London, **43%** of households earn less than $60,000 which is greater than the Ontario average of **35%**	43%	38%	39%	34%	35%
RENTER HOUSEHOLDS	**42%** of London's households are renters, which is second only to Toronto within the Province	42%	34%	48%	35%	31%
CENSUS DEFINED CORE HOUSING NEED	In 2021, **11% of all households** in London were in census defined core housing need **21% of renter** households were in census defined core housing need	11% of all households 21% of renter households	13% of all households 28% of renter households	20% of all households 29% of renter households	9% of all households 19% of renter households	12% of all households 25% of renter households
UNAFFORDABLE HOUSING	In 2021, **24% of all households** in London were unaffordable housing **39% of renter** households were unaffordable housing	24% of all households 39% of renter households	23% of all households 38% of renter households	33% of all households 40% of renter households	22% of all households 37% of renter households	24% of all households 38% of renter households
AVERAGE RENTAL PRICE	In the past four years, the average rental price for apartments in the City of London **increased by 30%**	+30% $1,050 in 2019 to $1,363 in 2023	+36% $1,055 in 2019 to $1,431 in 2023	+25% $1,476 in 2019 to $1,845 in 2023	+35% $1,161 in 2019 to $1,561 in 2023	+26% $1,277 in 2019 to $1,609 in 2023

*Census Metropolitan Area (CMA)

Figure 3: London Housing Demographics and Trends

2.3 Analysis of London's Current Market Trends

2.3.1 Recent Market Trends

Housing Starts

Approximately 2,500 units were started annually on average over the past 10 years (2014 to 2023). Following a peak in 2021, housing starts declined in both 2022 and 2023, with 2023 having the fewest starts (1,534 units) in the past 10 years. The reduction in housing starts in 2023 is largely attributed to the macroeconomic environment, with rising interest rates and construction costs impacting both the supply and demand side of the equation.

City-wide, starts are split almost evenly between ground-related housing (i.e. singles, semis, and row housing) (54%) and apartments[1] (46%) over the past decade. Intended tenure follows a similar distribution with 61% of starts intended for ownership housing (including condominiums) and 39% intended for rental. However, looking at apartment units, approximately 80% of housing starts were purpose-built rental units, with the remaining 20% being condominium tenure.

Market Rents, Prices, and Sizes

There is a significant gap between rents charged for newly built rental housing compared to CMHC reported average rents. As shown in Table 4, average monthly rents at recently completed purpose-built rental apartment buildings range from $1,570 for a studio unit to $2,660 for a three-bedroom unit. On average, these market rents are about 60% higher than average market rents reported by CMHC.

[1]Apartments refer to typology and include both rental and ownership (i.e., condominium) tenures.

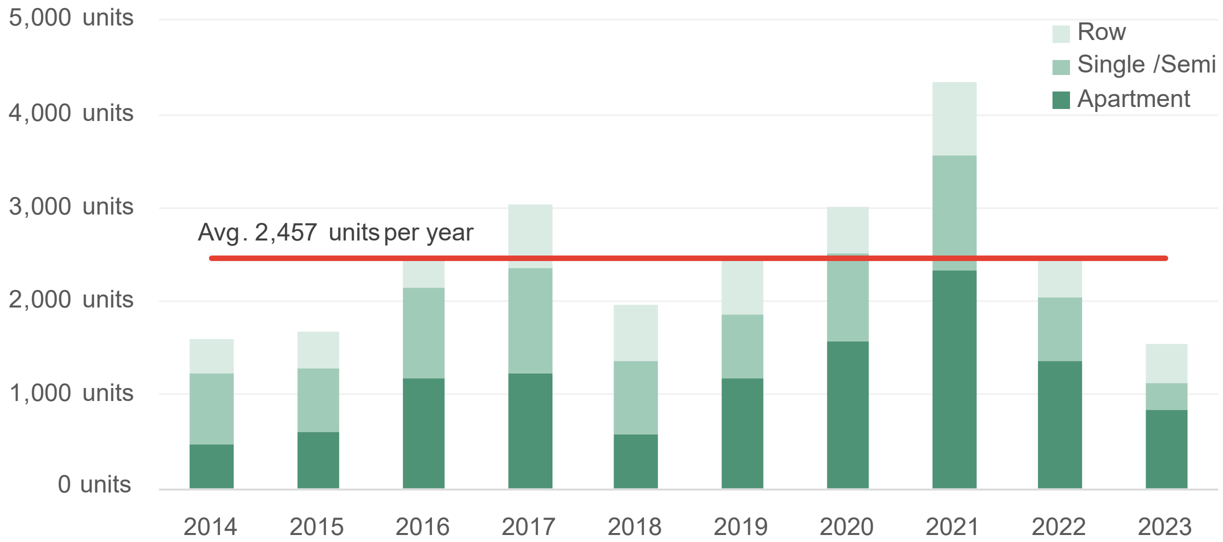

Figure 4: City of London Housing Starts by Typology, 2014-2023
Source: Parcel Economics, based on CMHC Housing Market Information Portal

For recently completed purpose-built rental apartment buildings we have also summarized unit sizes and rents per square foot in Table 5. As shown, smaller studio units typically command the highest monthly rent per square foot, while three-bedroom units have the lowest monthly rent per square foot. The lower rent per square foot for larger units is a result of core elements of the unit (i.e. kitchens, bathrooms and plumbing), being spread across a larger gross floor area.

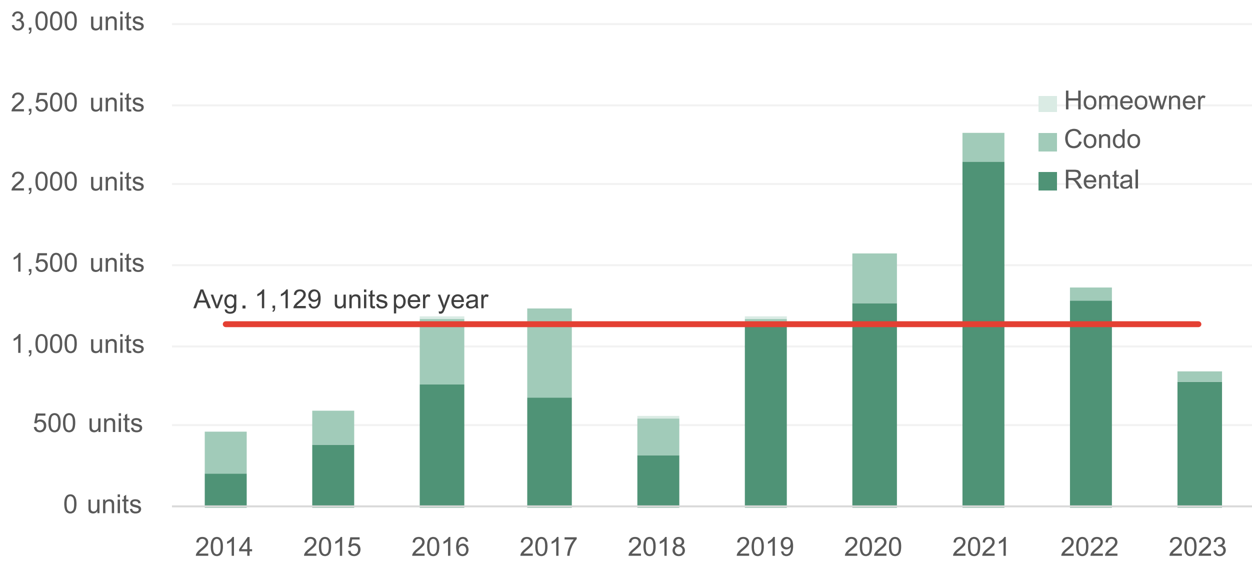

Figure 5: City of London Apartment Starts by Tenure, 2014-2023
Source: Parcel Economics, based on CMHC Housing Market Information Portal

Table 5: Average Market Rent at Recently Constructed Rental Apartment Buildings

Unit Size	Asking Market Rent			CMHC Average Rent (October 2023)	Difference (Average Compared to CMHC)
	Low	High	Average		
Studio	$1,530	$1,653	$1,570	$961	+$609
1 Bedroom	$1,510	$2,665	$1,870	$1,192	+$678
2 Bedroom	$1,800	$3,997	$2,340	$1,469	+$871
3 Bedroom	$2,200	$3,035	$2,660	$1,553	+$1,107

Note: Asking market rent based on sample of 10 buildings constructed post-2020.
Source: Parcel Economics, based on CMHC Housing Market Portal and building websites.

Table 6: Recently Constructed Rental Building Unit Sizes and Rent per Square Foot (PSF)

Unit Size	Size			$PSF		
	Low	High	Average	Low	High	Average
Studio	478 sf	497 sf	490 sf	$3.10	$3.39	$3.23
1 Bedroom	608 sf	1,401 sf	840 sf	$1.83	$3.34	$2.23
2 Bedroom	844 sf	1,886 sf	1,190 sf	$1.63	$2.84	$1.97
3 Bedroom	1,129 sf	1,673 sf	1,390 sf	$1.60	$1.95	$1.75

Note: Sample of 10 buildings constructed post-2020.
Source: Parcel Economics, based on building websites.

Condominimum Apartments

The benchmark resale price of a condominium apartment in London-St. Thomas per Canadian Real Estate Association ("CREA") Home Price Index ("HPI") is approximately $386,000, down from a peak price of $500,300 in early 2022, which is when the Bank of Canada began to raise interest rates. For comparison, the average price of a resale condominium apartment unit built post-2020 was approximately $703,000 or $501 per square foot ("PSF") per listings on Realtor.ca,

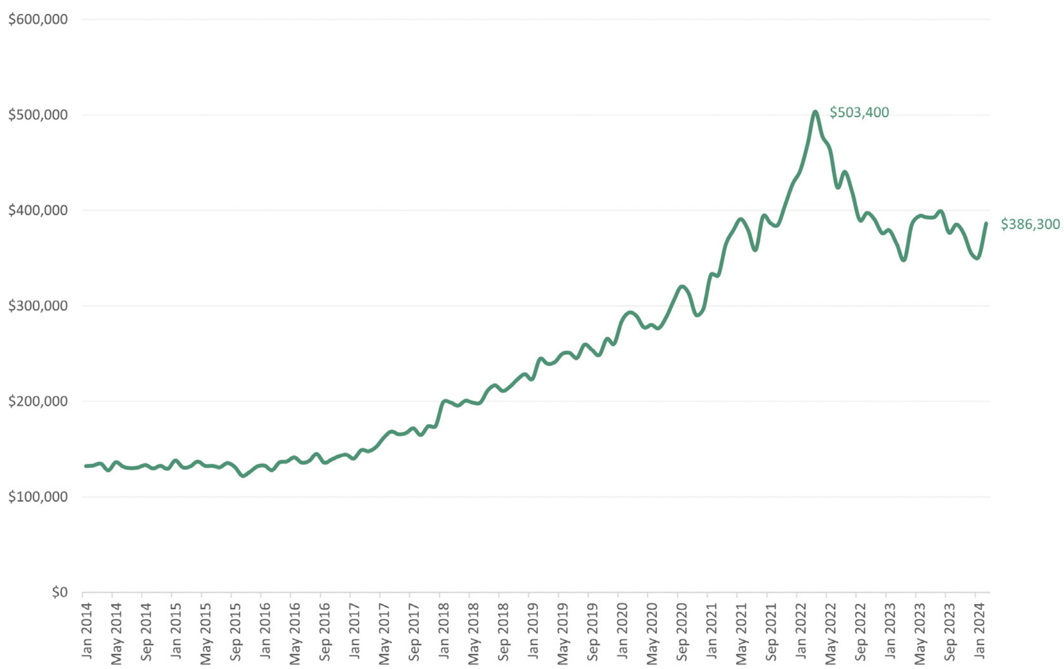

Figure 6: London-St. Thomas Apartment Benchmark Price
Source: Parcel Economics, based on CREA data

suggesting newer units command higher prices.

There are three new pre-construction condominium apartment projects that are currently marketing units for sale in London. Units in these developments ranged from a low of $525,000 to a high of nearly $1.2 million. The $PSF in two of these projects (Eve Park and The Westdel) was slightly higher than resale units completed post-2020. All available units (resale and new) are located outside Downtown London.

2.3.2 Macroeconomics of Development

There are several current macroeconomic conditions that contribute to a challenging environment for development, particularly for apartment units. While these macroeconomic factors are out of the control of municipalities, it is important to understand their impact on development.

Increasing Construction Costs

Construction costs have increased dramatically since the onset of COVID-19. As shown in Figure 7, the residential construction price index for the Toronto CMA increased at an average annual rate of 4.5% leading up to the COVID-19 pandemic. While construction cost data is not available for the London CMA, it is likely that it has followed a trend similar to the Toronto CMA. Since the start of the pandemic the construction cost index increased at a rate of over 20% per year on average. However, there are signs that construction costs are starting to grow at a slower rate, albeit still increasing.

As construction costs typically represent the largest portion of total development costs, they heavily influence financial viability. For example, hard costs for the prototypical developments tested as part of this assignment were approximately

Table 7: Resale Units (Buildings Constructed Post-2020)

Average Price	Average Unit Size	Average $PSF
$702,800	1,402 SF	$501

Source: Parcel Economics, based on Realtor.ca listings.

Table 8: New Construction Units

Name	Price Low	Price High	Average $PSF
Eve Park	$954,000	$1,164,000	$523
The Westdel	$595,000	$714,000	$513
Springbank Lux	$524,990	$1,039,990	$752

Source: Parcel Economics, based on livabl.ca data.

70% of total costs. The recent escalation in construction costs has required developers to set higher prices / rents to maintain sufficient profitability in their projects.

Construction costs vary between materials and by scale of development. Figure 8 summarizes the range of construction costs for the Toronto CMA, as reported in the Altus Group 2024 Construction Cost Guide. As shown, buildings constructed out of wood cost less than buildings constructed out of concrete, however the six-storey height limit for wood framed buildings impacts the number of units they can accommodate.

Interest and Bond Rates

Rising interest rates are affecting both the supply side of the equation, and demand side of the equation for housing.

On the demand side, elevated inflation over the past three years caused the Bank of Canada to raise interest rates. This has had a negative impact on the carrying cost for housing. As shown in Figure 9, the posted rate for a 5-year fixed mortgage was stable and trending lower for over a decade. However, in early 2020, interest rate decisions by the Bank of Canada resulted in the posted rate for a 5-year fixed mortgage increasing from less than 5% to over 7%. This impacted the price of housing that homebuyers could afford to purchase.

On the supply side, rising interest rates not only make it more expensive for developers to finance new projects, but also increases the "risk free" return that a developer considers when deciding to move forward with a project. As shown in Figure 10, similar to mortgage rates, the interest rate on a 10-year government of Canada bond was generally declining for over a decade. The interest rate on a 10-year government of Canada bond increased from approximately 0.5% in 2021 to a peak of over 4% in 2023.

These higher interest rates make it more expensive for developers to finance new projects, at the same time that construction costs are also increasing at an above average rate.

Higher bond rates can also act as a disincentive to development. For example, when bond rates were less than 1%, a developer may have considered the construction of a rental apartment building that yielded 4%. However, with the risk-free rate of return now around 4%, the same homebuilder may now require a yield greater than 4% before moving forward with a new development. If this return cannot be achieved, they could decide to forgo development, which reduces the supply of housing.

These opposing supply and demand forces associated with rising interest rates explain why housing starts in London declined in 2023 and why the price for resale condominium apartment units declined. This speaks to the challenging macroeconomic environment and the difficulty in developing affordable housing.

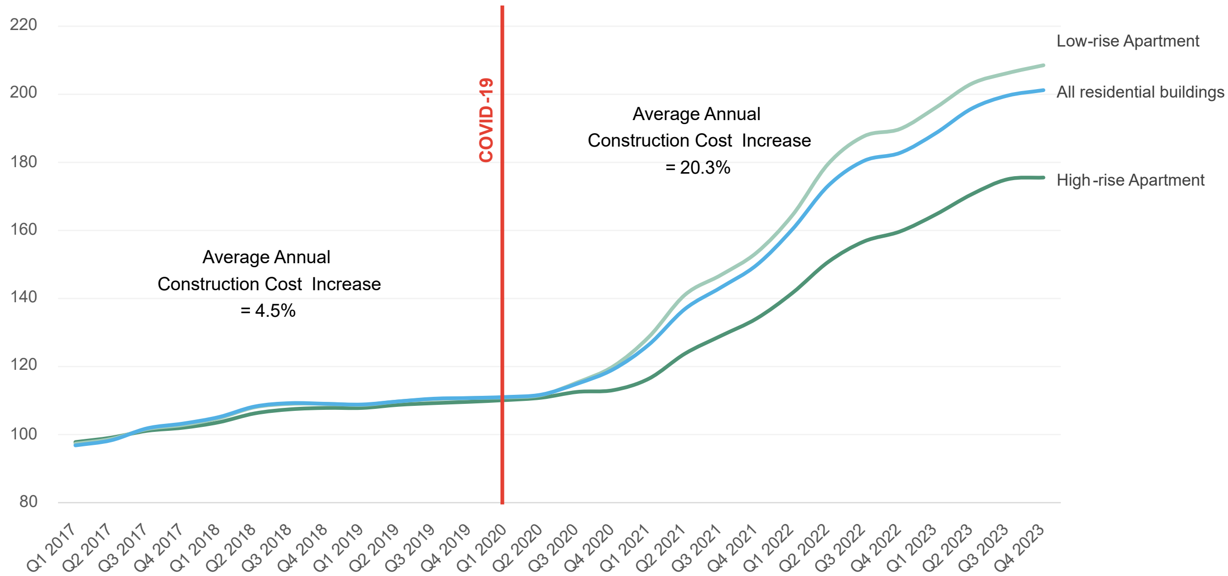

Figure 7: Residential Construction Price Index (Toronto CMA)
Note: Data for London not available.
Source: Parcel Economics, based on Statistics Canada Table 18-10-0276-01

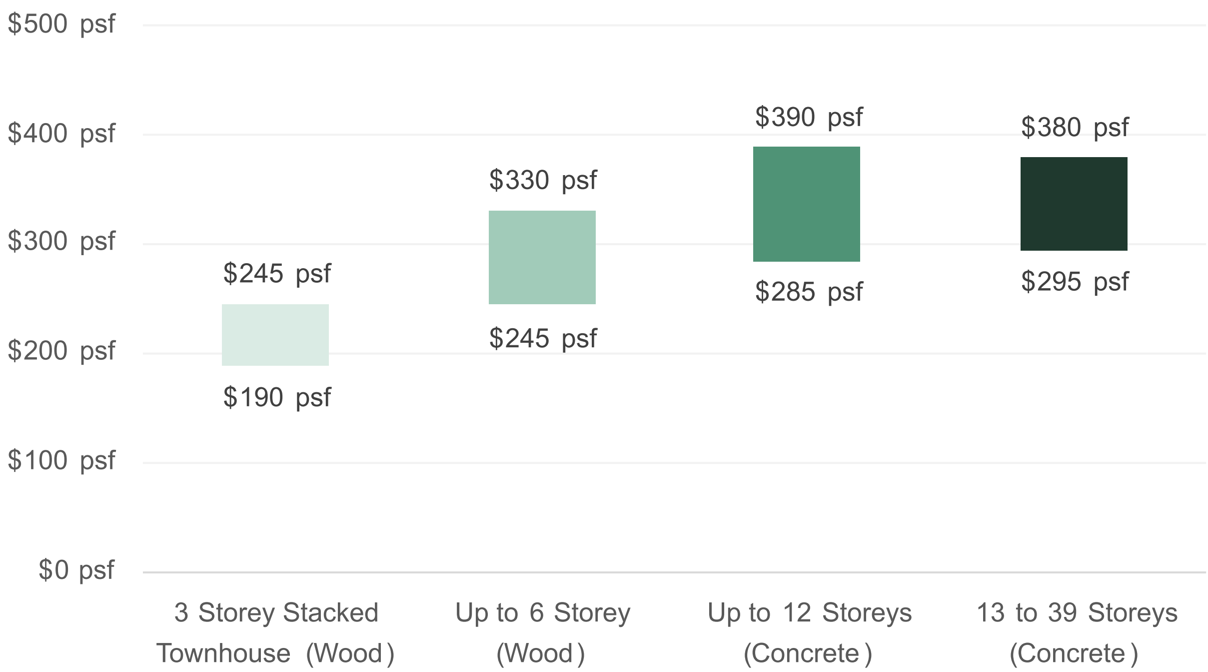

Figure 8: Low and High Per Square Foot Hard Construction Costs by Typology (GTA)
Note: Data for London not available.
Source: Parcel Economics, based on Altus Construction Cost Guide 2024.

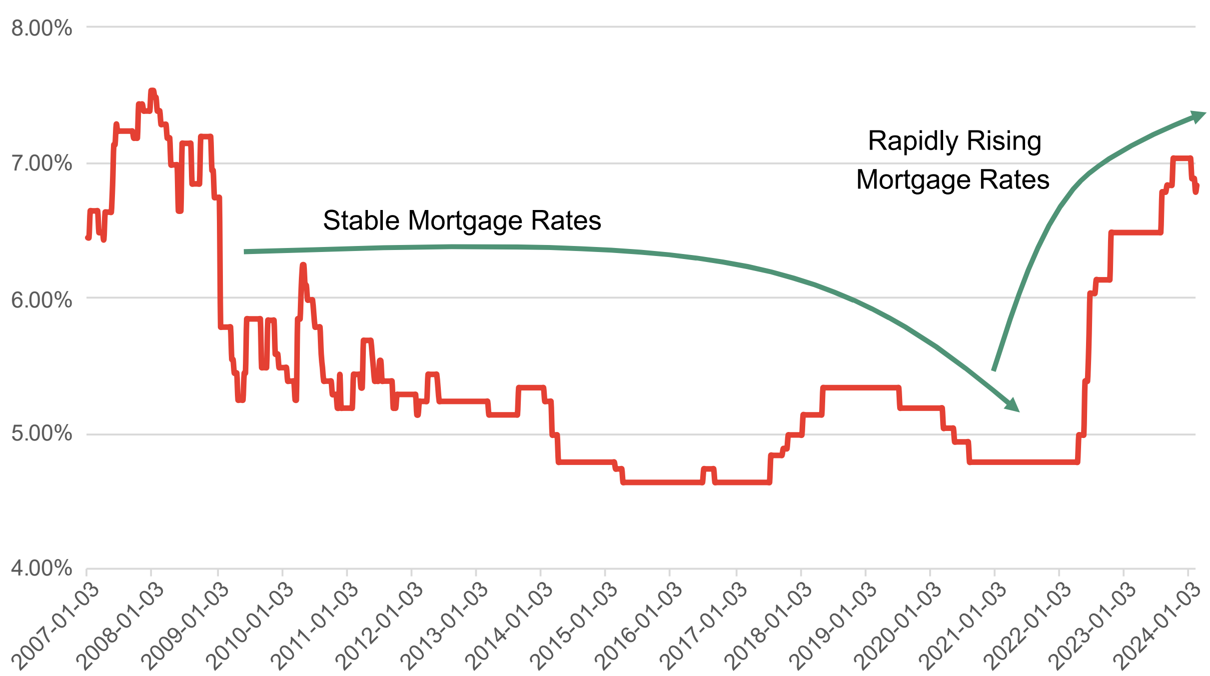

Figure 9: 5-Year Fixed Mortgage Rate
Source: Parcel Economics, based on Bank of Canada data.

Figure 10: 10-Year Government of Canada Bond Rate
Source: Parcel Economics, based on Bank of Canada data.

3. CIP AND FINANCIAL INCENTIVES RECOMMENDATIONS

The project team has developed a series of recommendations for the City of London's consideration, following our review. This section represents a summary of the project's conclusions, followed by the complete analysis that led to them. These recommendations have been grouped by topic.

3.1 Affordable Housing CIP – General Recommendations

These recommendations pertain to the framework of an amended Affordable Housing Community Improvement Plan (CIP), including the definition of affordability, the CIP area, and goals and objectives. These sections form the structure and rationale for the incentive programs that follow.

Recommendation #1

Definition of Affordability

The *Affordable Housing CIP* definitions should be amended to reflect:

1. 100% of Average Market Rate Affordable Housing – being defined as 100% of average market rent by unit type, as defined by CMHC, with income testing at occupancy;
2. 80% of Average Market Rate Affordable Housing – being defined as 80% of average market rent by unit type, as defined by CMHC, with income testing at occupancy.
3. Rent Supplement – 20% of Affordable housing units provided within an Affordable Development should be earmarked for supplemented rents, should subsidies be available when the building develops, with tenants selected from the City's centralized waiting list.
4. All affordable housing developed in the City should be eligible for CIP incentives, regardless of whether the provider is municipal, non-profit or private sector.

Rationale

Defining Affordable housing at 80% of average market rent generally aligns with current CMHC funding programs, which provides significant funding for non-profit housing. It also aligns with the definition used by MHD to determine eligibility for the financial incentives available through the City's *Roadmap to 3000 Affordable Units*.

The 100% of Average Market Rate Affordable Housing definition allows for additional workforce housing units to be incentivized at a lower funding level, while being more likely to bring private sector interest.

The requirement to offer at least 20% of affordable housing for rent supplements through the City (if the City has rent supplement funding available), allows for the provision of some deeply affordable housing under the CIP.

It should be clarified that while 100% of average market rent appears to be market rate housing, the CMHC definition of the average market rate takes into consideration all occupied rental units, and so does not reflect the market rates for units that are currently available on the rental market currently. Analysis of the market rents for available units was undertaken by Parcel Economics and is compared to the CMHC 100% and 80% of average market rents respectively.

By tying the affordable units to specific income levels, this helps to ensure that these units, subsidized by both the City and likely other levels of government, are provided to those who need it. This income testing would only occur when the tenant moves into the rental unit, as once tenants occupy the unit their tenancy wouldn't be contingent on a continued need to meet income levels. This approach also reduces the administrative burden on housing providers.

Rent supplements are available through municipal and provincial funding programs, including the City's *Roadmap to 3000 Affordable Units*, and should be prioritized for use within affordable housing projects developed using CIP incentives to add deeply affordable units within these developments. Adding rent supplemented units to developments with mixed incomes also meets other City goals of mixed income communities. Deeply affordable rent supplemented rental apartments should have their income tested annually to ensure continued eligibility for that supplement.

Affordable housing, regardless of provider, remains expensive to build and operate and requires significant funding to make it financially feasible. London Middlesex Community Housing (LMCH) is currently excluded from the *Affordable Housing CIP* programs; therefore, the CIP definition should be updated to allow LMCH to access the same incentives available to non-profit and private developers. By including LMCH, it adds assurances to their budget planning and reduces the amount they would be required to request from the larger City budget.

The estimated cost of this recommendation is medium, as it represents an increase in affordability targets from the current *Affordable Housing CIP*.

Table 9: Rental Chart Comparison

Rental Tiers	Bachelor/Studio	1-Bedroom	2-Bedroom	3+ Bedroom
Market Rents	$1,570	$1,870	$2,340	$2,660
100% of Average Market Rent	$961	$1,192	$1,469	$1,533
80% of Average Market Rent	$769	$954	$1,175	$1,218

Source: Market Rents - Parcel Economics, see Section 2.3
Average Market Rents - Canada Mortgage and Housing Corporation (CMHC), October 2023

Recommendation #2

CIP Goals and Objectives

As part of the amended *Affordable Housing CIP*, the Goals/Objectives of the CIP should be reviewed and updated as necessary to reflect housing needs identified in the background analysis completed as part of this project, as well as resulting definitions, CIPA, incentive programs.

Rationale

This is a necessary component required to update the *Affordable Housing CIP*. The full list of next steps required to update the CIP are noted in Section 4.2.

The estimated cost of this recommendation is low, as it is not anticipated that the goals or objectives will change significantly from the existing *Affordable Housing CIP*.

Recommendation #3

Community Improvement Project Area (CIPA)

Retain the whole municipal area as the Community Improvement Project Area (CIPA). In addition to the overall CIPA, it may be determined appropriate by City staff to classify additional sub-areas if there are additional incentives identified for specific geographic areas that arise through the coordination of the *Affordable Housing CIP* with other programs (i.e. higher incentives for transit proximity).

Rationale

Affordable housing constructed throughout the municipality will benefit residents across the City of London. It may be appropriate to identify specific areas, either those targeted for (re)development or intensification, where additional specific incentives could be applied. For example – additional incentives could apply within 1.5km of rapid transit stations to align with the HAF initiative to allow for housing as-of-right up to 10 storeys.

The estimated cost of this recommendation is none, as it is not recommended to change the CIPA from the existing *Affordable Housing CIP*.

3.2 Affordable Housing CIP – Incentive Program Recommendations

The recommended incentive programs for the *Affordable Housing CIP*, including both financial and other incentives that support the goal of constructing additional units of affordable housing.

Recommendation #4

Proposed Incentive Programs for the Affordable Housing CIP

Updated financial incentives in the *Affordable Housing CIP* should include the following:

1. Tax Increment Equivalent Grant (TIEG) Program
2. Capital Grant Program
3. Additional Residential Unit (ARU) Grant Program – including Pilot Program
4. Municipal Fee Exemption Program
5. Pre-Construction Grant Program

Other incentives in the CIP should include the following:

1. Municipal Land Banking and Sale Program
2. Internal coordination of incentives available through the City of London for the development of affordable housing

General requirements recommended for incentives in the amended *Affordable Housing CIP*:

1. Generally, financial incentives tied to affordable units would require rent levels to be maintained for at least 25 years, matching other City of London programs and Provincial requirements.
2. To be considered an eligible Affordable Development, projects (except for the ARU pilot project) must provide at least 5 units or 10% of units as affordable housing, whichever is greater.
3. Incentives should be available for both new construction as well as conversion of office, institutional, commercial, or appropriate industrial buildings into affordable housing.
4. The *Affordable Housing CIP* programs should continue to ‘stack’ with other existing CIP programs, to take advantage of the existing programs that are meant to address the need to incentivize housing in areas where it would otherwise not be financially feasible (i.e. Downtown CIP).

Rationale

The combination of incentive programs recommended here are meant to provide a significant financial incentive to help make developments that incorporate affordable housing financially feasible. It will not, however, fully close the gap. Full details of recommended incentives are described in subsequent recommendations. The variety of programs recommended are intended to capture different levels of affordable housing that could be developed by the municipal, non-profit and private developers.

Table 10: Summary of Recommended Financial Programs

CIP Programs	80% of Average Market Rate Affordable Housing	100% of Average Market Rate Affordable Housing
TIEG Program	100% for 20 years, phased up to full at 25 years	75% for 20 years, phased up to full at 25 years
Capital Grant Program	$30,000 per affordable unit (in addition to $45,000 Roadmap grant)*	$50,000 per affordable unit
Municipal Fee Exemption Program	Eligible affordable projects fully exempted	Eligible affordable projects 75% exempted
Pre-Construction Grant Program	$2,000/unit up to $50,000 for the project for up to 50% of eligible costs	N/A

**This amount assumes projects will already be receiving the $45,000 grant for an affordable unit through the Roadmap to 3,000 Affordable Units program, so the CIP Capital Grant Program will act as a top up. Recommended Program requirements should be aligned with the Roadmap and applicants should only be required to sign one Contribution Agreement.*

Based on the analysis completed by Parcel Economics, for a prototypical development the current gap of funding between what is required to construct and maintain one unit of affordable housing for 25 years is between $139,000 - $237,000; see Appendix G for a full gap analysis. The incentives recommended here cover a significant portion of the current funding gap for both non-profit and private developers to financially stimulate them into creating new affordable rental housing.

The estimated cost of the incentive programs for one unit of both 80% and 100% Average Market Rate Housing units are shown in Figures 11 and 12. These are contrasted with the current funding gaps for both non-profits and for-profits in both the Downtown and outside of the Downtown.

Therefore, the total recommended incentives for a unit at 80% of AMR is estimated at $53,782 – this includes estimates of Municipal Fees, Pre-Construction Grant, TIEG over the proposed 25-year period and Capital Grant Program. It should be noted that the Capital Grant Program assumes projects will

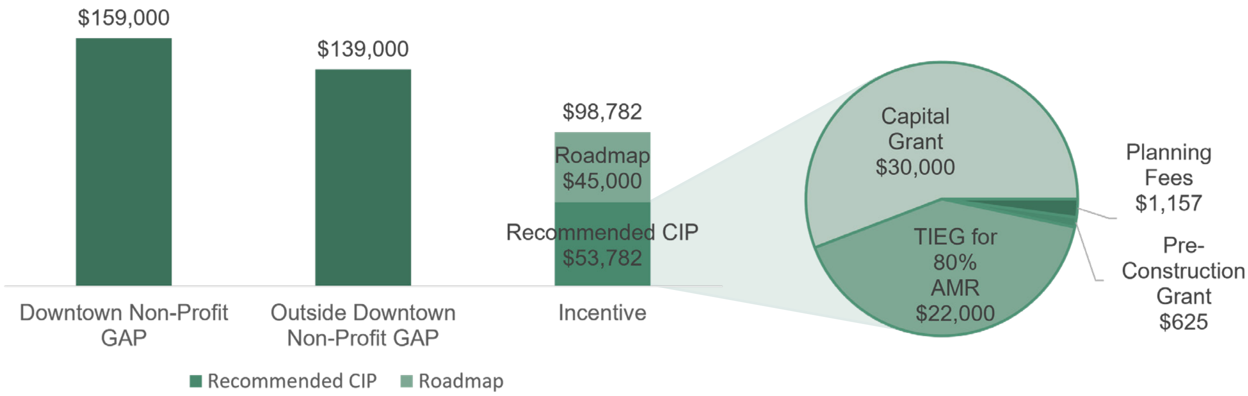

Figure 11: Estimated Costs of Financial Incentives per Unit for 80% of Average Market Rate Housing Units and Funding Gap for Non-Profit Housing Units

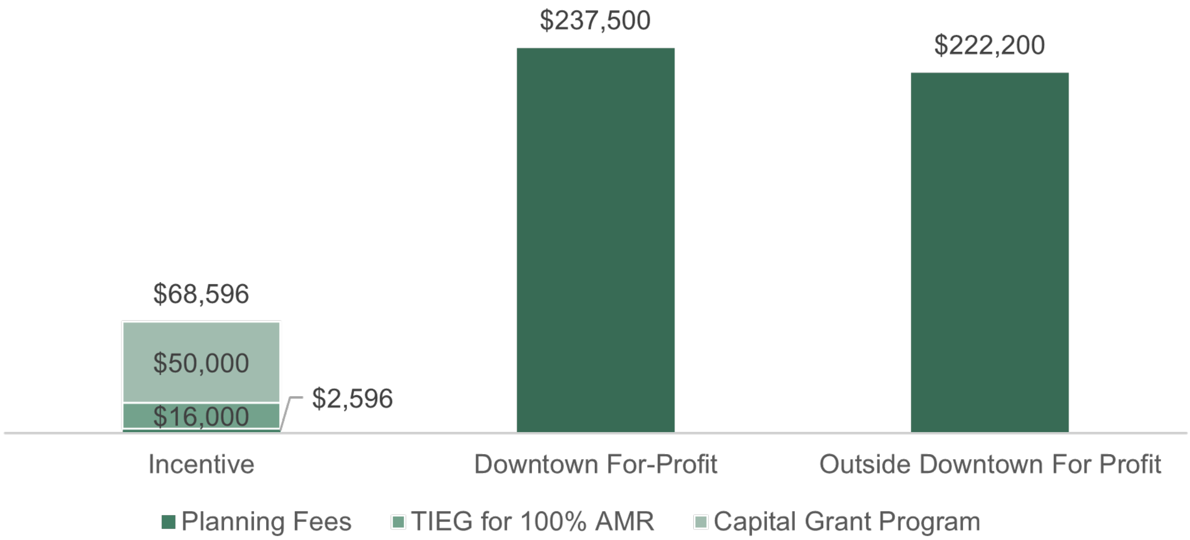

Figure 12: Estimated Costs of Financial Incentives per Unit for 100% of Average Market Rate Housing Units and Funding Gap for For-Profit Housing Units

already be receiving the $45,000 grant for an affordable unit through the Roadmap to 3,000 Affordable Units program, so the CIP Capital Grant Program will act as a top up. These estimates are based off an 80-unit prototypical development assumed for the Gap Analysis in Appendix G.

Therefore, the total recommended incentives for a unit of at 100% of AMR Housing is estimated at $68,596 – this includes estimates of Municipal Fees, TIEG over the proposed 25-year period and Capital Grant Program. These estimates are based off prototypical developments of

390 units Downtown and 170 units Outside Downtown that are assumed in the Gap Analysis in Appendix G.

The recommended incentive programs should support existing CIP programs, both in the *Affordable Housing CIP* and other housing-related CIPs, the *Roadmap to 3000 Affordable Units*, and programs funded under London's Approved *Housing Accelerator Fund (HAF)* Application. They also take into consideration other housing plans and studies currently underway at the municipality, including the Office to Residential Conversion Program currently being developed, and the recently completed Targeted Actions to Increase London's Housing Supply: Supporting Council's Pledge for 47,000 Units by 2031.

While analysis was not undertaken by the project team into the potential conversion opportunities in the City of London, or associated costs, it is understood that the current City program has the goal of bringing market rate residential units online through the Office to Residential Conversion Program. The incentives recommended for the *Affordable Housing CIP* are intended to be used in combination with those currently under development for Office to Residential conversions, with the goal of further incentivizing spaces that are being converted to residential units offered at affordable rents.

The cost of implementing the financial incentives is high, in line with the estimated costs per unit as described above.

Recommendation #5

Tax Increment Equivalent Grant (TIEG) Program

A proposed Tax Increment Equivalent Grant (TIEG) Program should be included in the amended *Affordable Housing CIP*. This Grant will amount to a reduction in the annual municipal property taxes derived from the increased assessment value generated by an eligible project for the first 25 years of the development. This aligns with the recommended affordability period required.

This program should apply to both levels of affordable housing units:

1. **80% of Average Market Rate Affordable Housing units should be eligible for 100%** of the annual tax increment over the agreed base assessment for 20 years, with the full taxed amounts to be phased in for the last 5 years.
2. **100% of Average Market Rate Affordable Housing units should be eligible for 75%** of the annual tax increment over the agreed base assessment for 20 years, with the full taxed amounts to be phased in for the last 5 years.

The program should be designed for straightforward administration – there should be no upfront property tax payments if there is evidence of continued affordability of rents.

Rationale

Providing full relief for affordable units for at least 11 years allows the housing developer to capture a significantly higher amount of capital funding from CMHC, as the operating costs are reduced during the operating period reviewed by them (CMHC financing has an initial term of ten years). Beyond this rationale, providing property tax relief throughout the entirety of the affordability period was raised as an important consideration through inputs received during the project consultation.

In addition to the relief needed as noted above, the phasing in of full property taxes is also critical to ensure that the increased costs incurred by the property owner can be covered via increases in rents or housing charges. Given the need for any significant increases in operating costs to be absorbed by the building, these would need to be covered through increases to rent or housing charges that are limited in the amount they can be raised year over year. We have therefore proposed a phasing in of the full payment amount over an additional 5 years.

Some local non-profits may be eligible for external programs for property tax relief, via MPAC. Should they be eligible, projects should apply for MPAC or other available external programs before utilizing CIP funds via the TIEG program.

Applicants would need to determine which CIP TIEG program to apply to, either the *Affordable Housing CIP* TIEG or under another CIP tax exemption program – they cannot apply to multiple TIEG programs.

Recommendation #6
Capital Grant Program

The amended *Affordable Housing CIP* should include a Capital Grant Program. This program should be provided in the form of a grant (forgivable loan) to eligible Affordable Housing developments to contribute to the project's construction costs.

Eligible 80% of Average Market Rate Affordable Housing units will be eligible for grants of $30,000*

Eligible 100% of Average Market Rate Affordable Housing units will be eligible for grants of $50,000

Rationale

In order to provide affordable housing units, a significant funding gap exists between the cost of building and operating that housing unit and what can be recuperated through the rent price or housing charges. Parcel Economics completed an Affordable Housing Gap Analysis to understand these numbers in the current City of London context, their full summary can be found in Appendix G. Parcel Economics found a significant gap to create each unit – approximately $159,000 for a unit of non-profit housing and $237,000 for for-profit housing in the Downtown Development scenario. This recommended CIP program is designed to reduce this gap.

This grant would be paid out throughout the construction period, to assist housing developers cover construction costs.

*This amount assumes projects will already be receiving the $45,000 grant for an affordable unit through the *Roadmap to 3,000 Affordable Units* program, so the CIP Capital Grant Program will act as a top up.

Recommended Program requirements should be aligned with the Roadmap and applicants should only be required to sign one Contribution Agreement.

Recommendation #7

Amended Additional Residential Unit (ARU) Program

A program providing grants to residents to densify their properties with Additional Residential Units (ARUs) should be included the amended *Affordable Housing CIP*. This program should be provided as a forgivable loan, amending the existing Additional Residential Unit Loan Program.

A full program should be developed following the implementation of the pilot program (described in Recommendation #8, see below) to help ensure the grant amounts are sufficient to incentivize development. Program guidelines, including requirements for the principal residence to be owner-occupied, should be revised to allow for additional ARUs to be developed.

Rationale

Additional Residential Units (ARUs) are important in the provision of additional rental units within existing residential areas. They represent a previously non-existent opportunity for homeowners of ground-related housing (single detached, semi, and row housing) to contribute additional units of housing on existing lots – contributing to intensification within already built-up areas that are serviced and close to existing amenities.

Zoning in the City of London permits four residential units per lot and Site Plan Control for less than 10 units was removed under Bill 97. ARUs therefore only require a building permit to begin construction. An increasing number of modular and panelized design options for detached ARUs are becoming available that are more affordable and often have more straightforward construction logistics. This means that the costs and timelines to construct an ARU are reducing, however homeowners are still required to make a significant, and risky, capital investment with potential for unexpected delays and cost increases through the building permit and construction process.

Incentives to offset capital costs are recommended on a pilot project basis (see Recommendation #8) to support ARU construction, especially as municipalities and the marketplace work through the approvals and construction logistics that come with a new development typology. The success of the pilot project would be to show this approach to gentle densification can work in London with the goal of having more homeowners consider this option on their own properties.

The estimated cost of this recommendation is low, as it is anticipated to have a limited uptake as the number of residents interested in building ARUs remains limited throughout the province.

Recommendation #8

ARU Pilot Program

In advance of the recommended full-scale revisions to the *Affordable Housing CIP*, we recommend that a pilot program be established for detached Additional Residential Units (ARUs). This program would have the goal of both bringing ARUs online in the short term, as well as testing the levels of grant that would incentivize additional affordable units.

Grants for market rate, detached ARUs should be made immediately available in the amount of $25,000, available to the successful applicant prior to the commencement of construction.

A limited number of grants for ARUs made available at 100% of Average Market Rent should be made immediately available in the amount of $50,000, available on a first come, first served basis to successful applicants prior to the commencement of construction. The affordability period for this project would be 10 years.

Rationale

The approved CMHC HAF Application includes an ARU program, and as the *Affordable Housing CIP* currently includes an ARU Loan program, it can be amended on its own prior to the full revision of the CIP. Incentivizing homeowners to build both affordable and market rate ARUs with a pilot program in the short term provides an ability to bring approved HAF funding forward while the balance of permanent programs are finalized. These updates also address the low uptake of the existing ARU Loan program in the *Affordable Housing CIP* as noted in Appendix C.

True market rents for a newly built 2-bedroom unit in the City are currently $2400/month, and 100% of CMHC reported average market for a 2-bedroom unit is $1,469/month. This represents a difference of $931/month, which amounts to $111,720 less revenue over the 10-year affordability period. Due to the significant cost to offset the loss of income required to keep a unit affordable, it is not advisable for the City to fully offset the costs of maintaining the ARU as affordable. It is recommended that a small pilot program be created to test whether a $50,000 capital investment would be a large enough incentive to offset part of the capital costs in order to create units at 100% of CMHC Average Market Rent. This cautious "pilot" approach follows the cancellation of the City of Toronto's affordable laneway program, which was cancelled due to lack of uptake. The Toronto program provided $50,000 grant, while requiring rents to be maintained below the average market rent in the city for 15 years.

The estimated cost of this recommendation is low, given that it is a short-term pilot program with a limited number of grants being offered.

Recommendation #9

Municipal Fee Exemption Program

The City should implement a Municipal Fee Exemption Program in the amended *Affordable Housing CIP*. This would include the exemption from Planning and Building permit application fees, as well as other municipal fees including Parkland Dedication, and other costs that arise from the municipal approvals process that are paid to the City of London.

Eligible Affordable Developments with at least 10% of units at 80% of Average Market Rent will be fully exempted from eligible fees. Eligible Affordable Developments with at least 10% of units at 100% of Average Market Rent will be exempted from 75% of eligible fees.

Rationale

Municipal fees collected from applicants as part of required Planning and Building Permit applications often form a significant portion of an affordable housing development's pre-construction budget, which creates another roadblock to those building housing into making units affordable. The costs of the approvals are also incurred at an especially difficult period, as pre-construction is when projects have the most difficulty obtaining funding. It is therefore important that this program be delivered as a fee exemption as opposed to a rebate of fees (that the applicant pays and then is later reimbursed).

Given that it is the City of London's stated priority to build housing, reducing and eliminating municipal fees is an important public indication that the City is taking its role in the creation of affordable housing seriously, by committing to the removal of barriers and incentivizing affordable development.

The estimated cost of this recommendation is approximately **$1,100** for a non-profit developed unit and **$2,600** for a for-profit developed unit, using the development assumptions included in the Gap Analysis in Appendix G. The for-profit development scenario assumes Building Permit fees and Parkland dedication, while the non-profit scenario assumes only Building Permit fees, as non-profit developers are exempted from Parkland Dedication.

Recommendation #10

Pre-Construction Grant Program

The amended *Affordable Housing CIP* should include a Pre-Construction Grant Program. This program would be provided in the form of a grant (forgivable loan) to eligible projects to contribute to the costs incurred in the portion of the project prior to construction. This could include a variety of eligible soft costs and studies, as determined by staff.

Eligible Affordable Developments will receive grants of $2,000/unit, up to a maximum of $50,000. The grant is intended to cover up to 50% of eligible soft costs.

Rationale

The pre-construction period is the most difficult to navigate, particularly for non-profit providers, as there are very few government or private funding programs available for design and feasibility investigations that support sound project development. Many potential projects don't materialize because of the lack of early project funds.

While CMHC currently offers its Seed funding program for similar purposes, the program does not cover full pre-development costs, and is a very popular program that is often fully subscribed.

This recommended program would amend the existing Affordable Housing Development Loan Program, addressing the lack of uptake of the existing *Affordable Housing CIP* as noted in Appendix C.

Recommendation #11

Land Banking

An amendment to the *Affordable Housing CIP* to include a Land Banking and Dispersal program is recommended. This program would prioritize City-owned land for the use of Affordable Housing.

Rationale

One of the approved HAF initiatives is for the City to create a process for the disposal of City-owned land for affordable housing developments. A CIP is a key tool available to municipalities to facilitate the acquisition, assembly and sale of lands (The *Planning Act* 28(3) and 28(6)). As explained further in Recommendation #11 that follows, the delivery of all programs under one CIP is recommended. The provision of city owned land for affordable housing at no cost would further improve the financial viability of new affordable housing.

The estimated cost of this recommendation is medium, assuming that the land earmarked for development in the HAF program is included, although the financial implications depend entirely on the amount of land provided by the City.

3.3 Affordable Housing CIP – Implementation Recommendations

Outside of direct amendments to the *Affordable Housing CIP*, the project team has analysed the provision of affordable housing programs provided by the City and has recommendations that pertain to how the *Affordable Housing CIP* is implemented. These recommendations speak to both its integration with other City programs as well as how it will be communicated and marketed to potential applicants.

Recommendation #12
Coordination of Affordable Housing Programs

In order to efficiently manage and communicate the different affordable housing programs currently provided by the City of London, City staff should review the program delivery and work to incorporate any programs that can be delivered through a CIP as part of the amended *Affordable Housing CIP*. Any programs that can't be included in a CIP, including changes to as-of-right zoning to be implemented as part of the *Housing Accelerator Fund (HAF)* program, should be coordinated with those in the amended *Affordable Housing CIP* to ensure that the programs work together as intended.

Coordination of the programs should include:

1. The signing of a single Contribution Agreement with the City, to ensure that developers of affordable housing only need to complete one negotiation with the City to receive incentives they are eligible for;
2. Definitions of affordability should be consistent across all programs provided by the City that can be stacked for eligible housing;
3. The timing of payments and any required repayments, to ensure that funds are available to the projects during their construction and should repayment be required, not repaid until after occupancy has occurred;
4. Specifically, the recommendations provided in this report assume that affordable housing development funding would be stackable with the *Roadmap to 3000 Affordable Units* Financial Incentives, as noted in Recommendation #2; and,
5. The creation of clear communication materials so that housing developers and providers are aware of existing City programs and can plan developments accordingly, as further detailed in Recommendation #14.

Current City programs to be coordinated include the *Affordable Housing CIP*, the *Roadmap to 3000 Affordable Units*, and programs funded under London's Approved *Housing Accelerator Fund (HAF)* Application.

Rationale

Coordinating City programs that share goals, particularly if multiple programs can be accessed for the same project, is essential to ensure that project eligibility is maintained and that applicants have the information available to them to plan their developments to meet City requirements. Additional information on the marketing of the CIP can be found in Section 4.1 of this report.

The estimated cost of this recommendation is low, as it should only require internal staffing resources to implement.

Recommendation #13

CIP Performance Targets

Assuming that the *Affordable Housing CIP* Program is provided the $10 Million currently earmarked from the Housing Accelerator Funding (HAF) package, it should be expected that the *Affordable Housing CIP* should produce approximately 160 additional units of affordable housing.

These targets should be monitored along with other aspects of the CIP, as part of the amended Monitoring program as determined by staff.

Rationale

This number is estimated through the approximate value of each incentive program and assumes an approximately equal 50%/50% of these 350 units would be provided as 80% and 100% of Average Market Rate Housing units respectively (80 units from each).

As shown in Table 11, the estimated cost to the City to provide the financial incentives described in this reports' recommendations are noted per unit and the total cost for 160 units of both 80% and 100% of Average Market Rate Housing units. The total program cost would therefore be $9,912,618 should all 160 units of affordable housing be created.

It should be noted that the costs for 80% of Average Market Rate Housing units do not reflect the $45,000 grant anticipated as a contribution from the Roadmap to 3,000 Affordable Units, which is why the amount of funding required for the 80% of AMR housing units is lower than for the 100% of AMR.

The estimated cost of this recommendation is none, as it doesn't require internal staffing resources to implement as the monitoring program will be completed as part of the general CIP amendments.

Table 11: Per Unit and Total Estimated Program Cost

Estimated Program Cost	80% of AMR Housing Units	100% of AMR Housing Units
Per Unit	$53,782	$68,596
Estimated Total Cost for 160 Units	$4,356,342	$5,556,276

Recommendation #14
Communications and Marketing Strategy

Implement a communications and marketing strategy for the *Affordable Housing CIP* as identified in the report. The immediate priority is communicating funding availability of both the Roadmap and CIP funding and how they work together as one financial incentive program to support the creation of affordable housing.

Rationale

Both the Roadmap and enhanced *Affordable Housing CIP* funding provide significant opportunities for investment in affordable housing; communication needs to include how these programs work together and how to access both in a seamless way. Communication in plain language is critical so that potential applicants can understand what is available and how to access it.

This Recommendation, coupled with Recommendation #12 (coordination with other City programs) and #18 (concierge service) would provide the broadest accessibility to the programs and implementing the City's targets for affordable housing.

The estimated cost of this recommendation is low, as it should only require internal staffing resources to implement.

3.4 Affordable Housing CIP – Housing-Related CIP Recommendations

The project team was tasked with the review of both the existing *Affordable Housing CIP* as well as other 'Housing-Related CIP' programs in other existing CIPs. The review of Housing-Related CIPs was to determine whether affordability should be an additional requirement added to the existing goals of the CIP programs identified. Recommendations for these programs are identified below, grouped by type.

Recommendation #15

Housing Related CIP Programs

Given that the current housing related CIPs only assist in financially supporting their specified policy goals, those programs do not provide funds to support the additional policy goal of lowering market rents to affordable levels. It is recommended to maintain all housing-related CIP programs outside of the *Affordable Housing CIP* as they currently exist and allow eligible developments to stack programs that meet the requirements of each specific CIP.

As these programs have identified goals that do not include affordable housing, including brownfield redevelopment, heritage restoration, and incentivizing development in specific areas of the city (including the Downtown), the analysis shows that the programs do not provide the funding levels required to produce affordable housing units in addition to the stated CIP goals and objectives.

An additional observation is that to add the requirement for affordable housing to access existing CIP programs requires an amendment of those CIPs' goals and objectives, which could disrupt the currently operating funding programs.

The existing CIP programs identified as "Housing-Related" and noted for review are listed below with the rationale for the recommendations specific to those programs.

Rationale

Direction was given to review the potential for requiring affordable housing units as part of certain CIP programs. The following analysis supports the above recommendation.

<u>Brownfields Incentive Programs</u>

- Brownfields Contamination Assessment Study Grant
- Brownfields Development Charge Rebate
- Brownfields Tax Increment Equivalent Grant

Brownfield programs are designed to support remediation of contaminated sites to prepare the site for future development. The funding for these programs is tied to the remediation work: studies to identify the associated costs, the reduction of development charges, and the tax increment equivalent grant to assist with the cost of soil remediation. These programs are not specifically intended to incentivize development but facilitate future development of a site that is free from contamination. Housing or other specific types of development is not funded through these programs so requiring affordable housing is not related to the purpose of these programs.

<u>Heritage Incentive Programs</u>

- Heritage Development Charge Equivalent Grant
- Heritage Tax Increment Grant

These programs are designed to support the retention of heritage attributes on heritage-designated properties. These programs can support small or large projects that are generally focused on heritage-sympathetic building upgrades and renovations for the existing use. The purpose of the programs is for the heritage elements and not additional housing. Requiring affordable housing is not related to the purpose of the programs.

Tax Grant Programs

- Rehabilitation & Redevelopment Tax Grant
- Residential Development Charges Incentive Grant

Both programs provide funding to support residential development within defined areas of the city. Recognizing the role of these programs to support housing development, Parcel Economics has prepared a financial feasibility assessment to determine how the uptake of these programs could change if there was a requirement that a portion of units in the building must be leased at affordable monthly rent. The technical analysis is included in Appendix G (Affordable Housing Gap Analysis).

The technical analysis completed by Parcel Economics identified that the current CIPs are serving their intended purpose, by 'levelling the playing field' when it comes to the financial viability of development within the Downtown and other areas of the city.

The analysis by Parcel Economics aimed to understand the financial gap associated with providing affordable rental housing in the City of London for both for-profit and non-profit homebuilders. The analysis also reviewed the financial feasibility of developing in the downtown with varying levels of affordability requirements, as well as the impact on the existing Downtown Combined Development Charge (DC) and Tax Grant Program (the "Downtown DC and Grant Program"). The report summarizes that adding a program requirement that 5% or 10% of units must be affordable to be eligible for these CIP financial incentives would result in it being more financially viable to develop outside the Downtown. Therefore, including an eligibility requirement for a share of units to be affordable, without any additional financial incentive could reduce uptake of these existing programs, as capital could flow to other areas of the City where financial returns are higher, or outside of the City altogether.

As the incentives provided through the Rehabilitation Tax Grant Program are less than the Downtown DC and Grant Program, the same analysis applies, whereby the requirement that a portion of units in the building must be affordable could reduce up-take of the program and potentially result in less housing overall, as some projects may not proceed to development.

Façade Programs

- Façade Improvement Loan

Façade Improvement Programs are focused on building exteriors and generally the street facing façade on the building exterior. These types of programs provide funding for items such as window upgrades/ repairs, brick/masonry repairs, repainting, and restoration. The amount of funding is modest and is a loan. This type of program would not support a requirement for affordable housing due to the focus of the funding and the amounts for the identified façade upgrades.

<u>Building Code Upgrade Programs</u>

- Upgrade to Building Code Loan.

This program is designed to support upgrades to buildings for compliance to the Ontario Building Code. Typical items include upgraded wiring, accessibility, Fire Code, windows and doors, and more. These types of upgrades can focus on safety as well. These are important upgrades to the building stock in London; supporting these types of upgrades is important for health and safety reasons. Adding on a requirement for affordable housing could have unintended consequences of making the program less attractive. Supporting the purpose of upgrading the building stock should continue to be the purpose of this program.

The estimated cost of this recommendation is none, as it requires for no changes to be made.

3.5 Broader Affordable Housing Recommendations

Through the analysis undertaken for the project, the project team formulated recommendations for the City of London to consider, despite them falling outside of the legislated authority of a Community Improvement Plan under the *Planning Act* or falling outside of the core project recommendations above.

Recommendation #16

Zoning By-law Provision for Affordable Housing

While out of scope for a Community Improvement Plan under Section 28 of the *Planning Act*, the City of London should consider updating their Zoning by-law to allow for affordable housing citywide through new/updated provisions in the Zoning By-law.

This could be done by expanding the existing definition of "Public Uses", to include projects provided for eligible government or institutional uses (i.e. the Municipality, Province, Federal government, school boards, Post-Secondary Institutions, etc.). In some instances, municipalities have updated their Zoning By-laws to include housing by non-profit housing providers as a public use. In these instances, housing would be a permitted use in all zones and affordable housing developments would proceed to Site Plan approval immediately without the need for a zoning by-law amendment. This reduces project time and costs to deliver the housing.

Rationale

The approved HAF program includes an initiative to update the Zoning By-law to allow up to 10-storey residential buildings with 1.5 kilometres of rapid transit stations, with the intention of tying these developments to the provision of various levels of affordability. However, sites outside of these targeted transit-oriented areas would benefit from as-of-right zoning to expedite the approval of affordable housing.

A significant barrier to the provision of affordable housing is the timeframe, financial burden, and high risks resulting from the municipal approvals process. By removing the need for affordable housing projects that receive government funding to obtain a Zoning By-law Amendment, a substantial burden is reduced for projects that are providing a public service but are not necessarily provided by the City or another level of government. The public use definition update would reference non-profit housing providers to ensure the provision of affordable housing is consistent with the rationale for a public use.

The estimated cost of this recommendation is low, as it should only require internal staffing resources to implement.

Recommendation #17
Upgrades to Existing Rental Stock

Review the *Affordable Housing CIP* and other CIP programs to establish programs to upgrade existing private rental stock that meets the 80% or 100% AMR. These programs would provide capital funding to support upgrading of existing housing stock in the private rental market.

Rationale

Existing private rental housing stock includes units that meet the 80% or 100% AMR for London. In some instances, these units are rented to long-term tenants who are in units that are also regulated by rent control as long as they remain in their unit. The investment in the existing private rental housing stock to provide upgrades such as plumbing, heat, windows, and general upgrades would provide a long-term investment in rental housing where the cost of these increases would not be passed on to the affordable units.

This type of program needs a well thought out program design as there are issues that can arise with investment in private rental housing upgrades. The most important of these are protections for the existing tenants in terms of security of housing through the renovation and long-term affordability of the unit at the pre-renovation rent (which may have guideline increases applied but not the cost of the renovation or above guideline increases). The unit must remain affordable whether the existing tenant returns or not. The protection of tenants from renoviction and 'demoviction' must be incorporated into this type of program. Reimbursement of moving expenses for tenants if they must move to another unit temporarily must also be the responsibility of the landlord – this includes moving costs, utility relocation fees, mail forwarding, etc. Agreements with the private landlord would be required in exchange for any funding.

This type of program is one that is not in scope for this review. However, the issue of protecting and investing in the existing private affordable rental stock was presented as an opportunity for the City.

The estimated cost of this recommendation is unknown at this time, as it is dependant on the program developed by staff in the future.

Recommendation #18
Concierge Staff for Affordable Housing

Assign and empower a City staff member (or members) as concierge for affordable housing projects to provide the applicant assistance navigating approvals and coordinate/expedite the review process with other City departments and commenting agencies.

Rationale

This recommendation would provide those developing affordable housing support in navigating the approvals process, and aid in the expediting of project approvals by leveraging the knowledge and ability for internal coordination provided by having a City staff member advocating for and coordinating the project with colleagues. This recommendation would further benefit direction from Council to confirm the provision of affordable housing units and expedited approvals as the priorities for the development, as municipal staff are often faced with conflicting mandates when determining the priority for decisions that arise in the approvals process. This program could potentially occur as part of the City's existing Housing Enterprise Action Team (HEAT).

This recommendation follows the emerging success of City of Toronto's Open Door/ Keys To Home program, which uses the above approach.

The estimated cost of this recommendation is low, as it should only require internal staffing resources to implement.

4. IMPLEMENTATION

The following section speaks to the implementation of the updates to the *Affordable Housing CIP*, as recommended in this report. This includes marketing and next steps to complete the update required to the existing CIP.

4.1 Marketing of the CIP

4.1.1 Marketing Plan

A potential marketing and communications plan to promote the opportunities and incentives available through the *Affordable Housing CIP* is outlined in this section of the report.

The program and activities outlined in the marketing and communication plan will be monitored and evaluated and may be adjusted as needed. Minor amendments or adjustments to the Marketing and Communications Plan may be made without amendment to the CIP.

Marketing Goals

1. To share information broadly on the Affordable Housing Community Improvement Plan.
2. To target information and outreach to specific audiences and potential recipients of CIP funding.
3. To gain feedback on CIP programs and their administration through the implementation of the CIP.
4. To communicate that the City of London is taking significant action to help meet the affordable housing needs of its residents.

Target Audiences

The following have been identified as the target audiences of the Affordable Housing Community Improvement Plan:

- Builders/Developers/Housing Providers/Landowners
- Real Estate Professionals
- Non-Profit and Co-operative Housing Providers/Operators
- Homebuilders Associations/London Development Institute
- Homeowners/renters
- London Chamber of Commerce
- The public

Marketing Program

It is recommended that the following communication and marketing materials be developed by the City to promote the CIP and other related information:

1. **Social Media and the City's Website –** promotion of the CIP on the City's social media sites and website with easily accessible information on the details of the programs, eligibility, and process.
2. **Press Releases –** specific advertisements to introduce the CIP to business owners and the public. The press releases will inform and redirect interested parties to the website for more information.
3. **Periodic Council Updates and Annual Progress Reports to Council –** regular updates to be provided to Council on the implementation phase and successes, as well as specific opportunities available through the CIP. The annual report will be used to outline the success of the CIP over the course of the year and will be helpful in the further evaluation of the program as time progresses.
4. **Information Package –** an information package with details of the programs will be sent to property owners and tenant businesses. Also, information booths/displays to be set up strategically at local events within the community at specific times during the year, and throughout municipal buildings to encourage broad promotion of the CIP. The City should consider working with the major construction goods retail businesses to have spring booths to showcase the opportunities for financial incentives that support the creation of new affordable housing. This tactic specifically focuses on the homeowner audience.
5. **Targeted Introductory and Follow-up Meetings** with members of the real estate and development industry, non-profit and co-operative housing providers as well as the chamber of commerce to provide information on the program availability and requirements. The City should consider twice yearly meetings with these audiences to showcase the CIP availability. This should be a high priority communications item.

Table 12: Key Marketing Messages to be Conveyed to Target Markets

No.	Target Audience	Key Messages
1	**Council**	• Affordable housing has been identified as a key priority for the City of London. • Affordable housing is important in achieving our vision of London as being a good place to live, work, learn, play and visit. • Discuss the extent to which the *Affordable Housing CIP* will achieve the goals identified in Council's Strategic Plan. • The CIP will provide the mechanism to facilitate affordable housing development supported through HAF, Road Map and other funding.
2	**Non-Profit Housing Builders/ Developers/ Providers** **London Homebuilders Association** **London Development Institute**	• This CIP will provide the City with a tool to offer financial incentives for affordable housing units/ projects, through capital grants, eliminating or reducing planning, building, and/or other development-related fees, and offering a property Tax Increment equivalent Grant to affordable housing developments. • Opportunities to create affordable housing may include new development, redevelopment of underutilized properties or conversion from non-residential uses. • This CIP will encourage the diversification of the housing stock and support economic development through creating rental housing that is affordable to members of the workforce with modest/moderate incomes. • The CIP will also provide for some deeply affordable housing for low-income households through the availability of rent supplements.

No.	Target Audience	Key Messages
3	**Homeowners/ Tenants**	• The Additional Residential Unit program will expand the options of property owners to earn extra income and create housing options for Londoners. • The Additional Residential Unit (ARU) affordable housing pilot program will demonstrate the feasibility of providing capital funding to create ARUs at affordable rent levels.
4	**Real Estate Professionals** **London and St. Thomas Association of Realtors**	• The CIP will expand the options of property owners to earn extra income and create housing options for Londoners. • It will also increase the value and attractiveness of properties and support the achievement of complete communities.
5	**London Chamber of Commerce**	• The CIP is an important tool to help in the provision of affordable housing to members of the community and prospective moderate income employees (retail/service sector) looking to relocate to the City for work. • The Chamber of Commerce can assist in providing information to its members about the CIP which may of interest and beneficial its members.
6	**General Public**	• The incentives available through the CIP will encourage a diversity of housing options and support the creation of needed affordable housing throughout the City.

The City of London is providing a number of funding opportunities for affordable housing through the *Roadmap to 3000 Affordable Units* initiatives. It is very important that the City develop clear communication materials for potential applicants for the CIP and Roadmap funding availability. It will be very important to communicate there is one housing agreement and one funding application process. The City would also be able to help applicants most effectively by having a “one window’ approach/ one point of contact for the affordable housing incentives, as per Recommendation #18.

4.2 Next Steps for the CIP

Following Council direction on the recommendations included in this report, City staff will develop the amendment to the *Affordable Housing CIP* and other City Programs as necessary. The implementation of the amendment to the CIP will generally follow the following steps:

1. The ARU Pilot program should be created and initiated by City staff, with corresponding marketing efforts.
2. Updating of existing CIP components, to reflect recommendations adopted by Council, including, as necessary:
    a. Goals and Objectives
    b. CIP Incentive Programs
    c. Action Plan, including coordination of Agreement templates with other City divisions.
3. Finalization of the detailed program eligibility, including the application process, and any annual caps on program uptake or other technical program requirements.
4. Updates to the existing monitoring plan for the CIP, to take into account updated portions of the CIP itself as well as other City program timelines including Roadmap and HAF Funding.
5. Staff to determine the consultation required with interest holders and a corresponding timeline for receiving feedback as updated Plan is drafted.
6. Once the updated CIP is drafted, the draft Plan should be circulated to Ministry of Municipal Affairs and Housing for their comment, if any.
7. A Statutory Public Meeting should be given notice for and held.
8. Any necessary revisions should be made based on public input, and then the updated CIP should be finalized and presented to Council along with implementing by-laws.
9. Marketing efforts for the updated CIP along with other related City housing programs should be completed.

APPENDIX A:
RFP DELIVERABLE SUMMARY

Appendix A: RFP Deliverable Summary

3.1 Appointment of Professional Consulting Services

1.1 CIP Review for Increasing Affordable Housing Supply

Project Deliverables

The successful proponent will be responsible for the preparation of two separate deliverables.

Deliverables for the Affordable Housing CIP Review should include but are not limited to:

- **Research and Data Analysis:**
  - Summarizing the take up of Affordable Housing CIP financial incentive programs to date.
  - Review of the Affordable Housing CIP goals and objectives to determine their relevance in today's market.
  - Analyzing the City's current Affordable Housing CIP and financial incentive programs to determine what aspects can be modified to further incentivize the creation of affordable housing units. Provincial, Federal, and other City incentives not offered through CIPs should also be considered in this analysis.
  - Collection of emerging trends and best practices regarding affordable housing financial incentive programs, and their success, from other jurisdictions, that could be applicable to the City of London.
  - Definitions of project terms such as housing affordability.
  - Analysis of London's current market trends for varying rental types (e.g. single-family homes, townhomes, apartment units).

- **Needs Assessment:**
  - Comparison between Affordable Housing Financial Incentive Programs offered in other municipalities and London's Affordable Housing Financial Incentive Programs, to determine where additions or modifications to London's programs may be desirable and comparable with other municipalities.

- Determine the financial gap(s) in typical development pro-formas that would need to be addressed to incentivize businesses, property owners, and developers to build affordable housing of various unit types.
- Identify potential amendments to policy and programs in the Affordable Housing CIP to remain effective in current and anticipated market conditions.

- **CIP and Financial Incentive Recommendations:**
    - Consideration of opinions from the public and relevant organizations for the development of an amended Affordable Housing CIP, amended affordable housing financial incentive programs, or new financial incentive programs.
    - Identification of solutions to help the City establish new or improve current financial incentive programs to effectively help deliver affordable housing, including but not limited to: financial contributions in the form of capital funding, reimbursement of development fees and charges, and property tax relief.
    - Performance targets to determine the success of the amended and/or new affordable housing financial incentive program(s).
    - Examples, of how to market affordable housing financial incentive programs to generate awareness and publicity to attract interest and program applications.
    - Outline of next steps for the Affordable Housing CIP, including but not limited to: a detailed analysis of the impacts and financial implications for each existing financial incentive program, and a framework for the implementation of proposed amendments to financial incentive programs or newly proposed financial incentive programs.

Deliverables for the Review of Housing-Related CIPs and Financial Incentive Programs should include but are not limited to:

- **Research and Data Analysis:**
    - Summarizing the take up and outcome of all housing-related CIP financial incentive programs to date.
    - Conduct a comprehensive assessment of all housing-related CIP goals and objectives to determine suitability for integration of an affordable housing component.
    - Analyzing housing-related CIPs and financial incentive programs to determine what aspects can be amended to incentivize the creation of affordable housing units.

- Collection of emerging trends and best practices regarding affordable housing financial incentive programs that focus on inclusion of affordable housing units in existing buildings and minimum affordable housing unit thresholds to qualify for financial incentive funds, and their success, from other jurisdictions, which could be applicable to the City of London.
- Definitions of relevant terms such as affordable housing minimums.

- **Needs Assessment:**
    - Determine the financial gap(s) in typical development pro-formas that would need to be addressed to incentivize businesses, property owners, and developers to build affordable housing through the use of housing-related financial incentive programs of various unit types.
    - Describe anticipated outcome(s) of adding affordable housing components in housing-related CIPs, including but not limited to: number of additional affordable residential units, average market rent, etc.
- **CIP and Financial Incentive Recommendations:**
    - Consideration of opinions from the public and relevant organizations for the development of amended housing-related financial incentive programs to include affordable housing component.
    - Identification of methods to incorporate affordable housing component in housing-related financial incentive programs to effectively incentivize affordable housing.
    - Performance targets to determine the success of the housing-related program(s).
    - Examples, of how to market the financial incentive programs to generate awareness and publicity to attract interest and program applications.
    - Outline of next steps for the housing-related CIP and financial incentive programs review, including but not limited to: a detailed analysis of the impacts and financial implications for each proposed amended financial incentive program, and a framework for the implementation of proposed amendments to financial incentive programs with the inclusion of an affordable housing component.

APPENDIX B: REVIEW OF BACKGROUND REPORTS

Appendix B: Review of Background Reports

The London Plan (2016)

The London Plan provides the policy framework to guide the growth and development of the City of London until 2035. The City of London, as with many municipalities across southwestern Ontario, is currently dealing with a housing crisis that is further exacerbating affordability challenges across the city. As such, it is a key objective of the London Plan to address the affordability challenges that the city is currently facing. This plan recognizes that a key element of building a prosperous city is to provide Londoners with access to quality housing choices. Housing is a basic need, and the London Plan provides guidance and policy direction on how to deliver housing as a service to all Londoners, but also provides further policies regarding the provision of housing for lower-income and vulnerable population groups. At a high level, the strategic directions of this Plan are to invest in, develop and promote affordable housing to revitalize neighborhoods and provide Londoners with a mix of housing types to meet their diverse needs. Furthermore, it is also an aim of this Plan to integrate affordable forms of housing in all neighborhoods and explore creative opportunities for rehabilitating public housing resources.

It is the target of this Plan, that 25% of new housing shall be affordable to low- and moderate-income households. In addition, the City aims to pursue opportunities to encourage at least half of the affordable housing units created through new residential development to be affordable to the lowest 30th percentile of household income in London. This includes both ownership and rental forms of housing. The London Plan provides additional policies on how these targets will be achieved, such as through collaboration with different levels of government, or through incentives such as community improvement plans. In order to evaluate the progress of its housing targets, the City will prepare a housing monitoring report every two years to assess various factors such as the demand for affordable housing and the current supply.

Housing Stability for All Action Plan

The Housing Stability for All Action Plan (HSAP) 2019-2024 was created with input from Londoners to define the housing environment as of 2019, plan for future housing needs, and identify key priority areas to focus the collective work of the community to achieve housing stability as required by Service Managers under the *Housing Services Act (HSA), 2011*. The overarching goal of the report is to coordinate the work of all community groups-- service providers, all sectors, government officials at every level and residents--in order to achieve a housing system that meets the needs of all

London's residents. It should be noted that a new HSAP is currently underway and is expected to be completed next year.

The Housing Stability for All Action Plan outlines four Strategic Areas of Focus with actions and key measures for tracking progress. Subsequent progress updates have been submitted to Council and the Ontario Ministry of Municipal Affairs and Housing (MMAH) as an annual update to the local homeless prevention and housing plan required under the *Housing Services Act (HSA), 2011*. The Plan outlines four strategic areas of focus with related priority actions and measures. The strategic areas of focus are:

- Respond to the Homeless Crisis
- Create More Housing Stock
- Provide Housing Supports
- Transform the Service System

Subsequent progress updates have been submitted to Council and the Ontario Ministry of Municipal Affairs and Housing (MMAH) as an annual update to the local homeless prevention and housing plan. These updates include an overview of the London housing market post-Covid.

5-Year Review – CIP and Financial Incentive Programs and Council Resolution

In 2022, the City initiated a 5-Year Review of current Community Improvement Plans and Financial Incentive Programs. The review assessed the validity of the current CIPs goals and objectives, and whether current financial incentives were achieving the stated goals in the CIPs for reinvestment, rehabilitation, and beautification. City staff also reviewed the targets and metrics of the financial incentive programs in the Downtown, Old East Village, SoHo, Hamilton Road, and Lambeth Area CIPs to evaluate the success of the programs. None of the programs in these CIPs triggered a change to reduce or discontinue funding for the existing financial incentive programs for these CIPs. This analysis informed the recommendations of the 5-Year CIP and Financial Incentive Programs Review. Section 3 outlines a summary of all the City's housing-related CIPs and their financial incentive programs. It should be noted that only the Affordable Housing CIP contains affordable housing incentive programs.

The City summarized the analysis, findings, and recommendations in Staff Reports to Council and Planning and Environment Committee dated May 23rd, 2023, and June 12th, 2023. An accompanying Council Resolution dated June 28th, 2023, set out the recommendations to implement changes to the CIPs or financial incentive programs to increase affordable housing, based on City staff's review and feedback from public engagement.

The proposed changes and recommendations pertained to the following:

- Legislation and housekeeping changes;

- Recommendations to add metrics and targets to existing CIPs;
- Boundary changes to include additional properties to existing CIPs to merge existing Community Improvement Plan Areas (CIPAs);
- Continuing an existing plan past its initial sunset date;
- Limiting or decreasing the applicability of an existing financial incentive program (Industrial Lands CIP and Brownfield CIP);
- Expanding or increasing the applicability of an existing financial incentive program (Core Area CIP, Argyle Core Area CIP, Downtown CIP, Old East Village CIP, Hamilton Road Area CIP, Affordable Housing CIP);
- Introducing a new incentive program; and,
- Suspending a current financial incentive program (Property Tax Assistance Grant Program in the Brownfield CIP and Wharncliffe Road Corridor Sign Loan Program in the Lambeth Area CIP).

Out of these recommendations, the ones that result in affordable housing related changes in the City's CIPs include the following:

- reviewing the administrative provisions of the Additional Residential Unit Loan to improve uptake of the program;
- preparing new CIPs and programs to support low-cost housing within primary transit areas;
- investigating the feasibility of introducing a new financial incentive program that supports the conversion of vacant commercial buildings to residential use;
- investigating introducing new financial incentive programs to support attainable housing in primary transit areas; and,
- reviewing the City's Affordable Housing CIP and housing-related CIPs for opportunities to incentivize affordable housing through the introduction of mandatory minimum number of units to access CIP funds and the option to include affordable housing units in existing buildings.

The specific findings and recommendations applicable to the review of the CIPs related to affordable housing are outlined in the **Table 1**:

Table 1 – *Summary of Changes and Recommendations to CIPs*

#	Findings/Recommendations	CIP Impact	Applicable CIP
01	Changes to the Development Charges Act through the *More Homes Built Faster, Act*, 2002, granted DC exemptions for affordable housing units, attainable housing units, and 3 units per single, semi-detached or townhouse dwelling.	May reduce the uptake of the existing Residential Development Charges Grant and the Affordable Housing Loans.	• Affordable Housing CIP

#	Findings/Recommendations	CIP Impact	Applicable CIP
02	Investigate improving functionality of the existing Additional Residential Unit Loan Program to encourage construction of Additional Residential Units through reviewing administrative provisions of the CIP.	Changes to Affordable Housing CIP.	• Affordable Housing CIP
03	Prepare new CIPs and programs to support low-cost housing within primary transit areas, such as construction within a defined radius of the London Plan's Rapid Transit Corridors and Transit Villages.	Changes to Affordable Housing CIP and other CIPs, as applicable. Creation of a new CIP.	• Affordable Housing CIP
04	Investigate feasibility of a new financial incentive program to support the conversion of vacant commercial buildings with a low potential for continued commercial use to residential units.	Changes to Affordable Housing CIP and other CIPs, as applicable. Note that the Downtown CIP has an existing Office-to-Residential (OTR) Conversion Grant Program.	• Affordable Housing CIP • May apply to other area-specific CIPs such as Downtown CIP and Core Area CIP.
05	Investigate the feasibility of introducing a new financial incentive program to support attainable housing within primary transit areas.	Changes to Affordable Housing CIP and other CIPs, as applicable.	• Affordable Housing CIP • May apply to other area-specific CIPs such as Downtown CIP, Core Area CIP, SoHo CIP, Old East Village CIP, Argyle Core Area CIP, and City-wide CIPs such as the Brownfield CIP, and Heritage CIP.
06	Review existing Affordable Housing and housing-related CIPs for opportunities to incentivize the creation of affordable housing units through i) the introduction of mandatory minimums to access CIP funds;	Changes to Affordable Housing CIP and other CIPs, as applicable.	• Affordable Housing CIP • May apply to other area-specific CIPs where increased housing supply and

#	Findings/Recommendations	CIP Impact	Applicable CIP
	and ii) options to include affordable housing units in existing buildings.		affordable housing is noted as a focus for community improvement, such as the Hamilton Road CIP, Argyle Core Area CIP, and SoHo CIP.

Performance Indicators

In November 2020, City staff prepared a report outlining proposed performance measures and indicators of success for financial incentive programs in the Downtown CIP and the Old East Village CIP. The financial incentive programs reviewed in both CIPs consisted of grant and loan programs. The grant programs being measured were the Residential Development Charges (DC) Grant and the Rehabilitation and Redevelopment Tax Grant. The loan programs being measured were the Façade Improvement Loan and the Upgrade to Building Code Loan. Staff undertook public consultation with the development industry and the BIAs for input on changes and uptake of the financial incentive programs.

The objective of the grant programs for both of these CIPs is to increase the residential population in the Downtown and Old East Village. The grant programs are intended to help offset costs and challenges associated in these areas that are not found in suburban greenfields, such as excavation and parking construction costs (underground or structured parking). The objective of the loan programs is to contribute to the revitalization of the Downtown and the Old East Village. The proposed performance measures and indicators of success sought to quantify the achievement of these objectives.

The proposed indicators for the two grant programs are:

- Residential population
- Assessment value of the properties

The proposed indicators for the two loan programs are:

- Building façade condition
- Percentage of targeted uses
- Healthy ground floor vacancy rate
- Private sector investment generated by offering public sector loans
- Number of loans issued per year

These proposed indicators measure performance of the grant and loan programs, which will be used to inform City Council whether any changes are required (e.g. reduce or discontinue funding or amend programs). Targets for each indicator were proposed that, if met, would trigger a change to the programs. The Downtown and Old East Village DC Grant program will reduce as population targets are met, except that affordable housing units with an appropriate contribution agreement and/or Affordable Housing CIP loan agreement will remain at a 100% Residential DC Grant. As of the writing of this report, information on the selected indicators is not available through the monitoring program.

Staff reports dated March 29th, 2021, brought forward the draft By-laws for the proposed changes to the Downtown CIP and Old East Village CIP. These by-laws include the performance measures and indicators of success outlined in the November 2020 staff report, with only a minor change in the population targets for the Old East Village CIP as a result of consultation with the BIA. Measures and indicators of success of financial incentive programs in the SoHo, Lambeth, and Hamilton Road CIPs were also added in 2021. None of the aforementioned indicators for the financial incentive programs are related to affordable housing goals in the applicable CIPs.

Inclusionary Zoning

Inclusionary Zoning (IZ) is a regulatory tool that would require new certain types of residential development to include affordable housing units as part of the proposal. Provincial legislation only permits Inclusionary Zoning within areas of a city designated as “Protected Major Transit Station Areas” (PMTSAs), unless otherwise prescribed by the Minister. The City of London considered this tool as a means of providing affordable housing to contribute to the City’s “Roadmap to 3,000 Affordable Units” Action Plan. In order to introduce IZ regulations, the City undertook an Assessment Report that identified the need for affordable housing and evaluated the impacts of IZ regulations on the housing market, costs, and land. The Report also evaluated financial viability to test whether private market development would proceed with IZ regulations.

The preliminary findings of the Assessment Report were presented in a staff report dated February 7th, 2022. The findings, related to financial viability and recent experience with Density Bonus Zoning regulations, demonstrated significant limitations in applying IZ regulations only to the PMTSA. Factors such as relatively consistent land costs across the City with no appreciable increase in demand or unit price in proximity to planned rapid transit, as well as additional costs of parking due to additional density, all pose a challenge for the geographic limitations of IZ. The findings also noted the previous success of Density Bonus Zoning in facilitating construction of affordable units in new developments across the City through a site-by-site approach, as opposed to IZ‘s broad regulations without site-specific context. It was recommended that the City’s Inclusionary Zoning Review be broadened to include a city-wide analysis to consider the entire municipality as the IZ eligible area.

A staff report dated December 4th, 2023, outlined the findings of the updated Assessment Report for the entire municipality. The report demonstrates that the financial feasibility of IZ remains generally consistent with previous reporting. Further changes to residential construction costs, market conditions, carrying costs of land with higher interest rates, supply chain constraints, and a decrease in average sales price for average market units demonstrate that additional density would not compel developers to include affordable housing units through Inclusionary Zoning. IZ, in the London context, is not a consistently viable mechanism to encourage development of new affordable housing units in new developments – as such, the report recommended that no further action regarding IZ be taken at this time. This decision was adopted by London City Council.

Roadmap to 3,000 Affordable Units Action Plan

The City of London's Housing Stability Action Plan 2019-2024 (HSAP) identified that a minimum of 3,000 new affordable housing units will need to be provided within 10 years to meet the current and future needs of Londoners. In response to this, Council approved the Roadmap to 3,000 Affordable Units Action Plan. The goal of this plan is to provide the delivery of 3,000 units by the end of 2026. The reasoning for this accelerated timeline is a result of the COVID-19 pandemic amplifying the housing needs faced by the City of London. The Roadmap guides the allocation of funding required to review and implement programs and services to achieve the affordable housing unit target. In addition, the Roadmap is aligned with the HSAP, and as a result some of the initiatives directed by the Roadmap are already underway, planned, or subject to ongoing studies and actions plans. The Roadmap was designed as a phased approach, the following table provides a summary of the actions associated with each phase.

Table 2 – *Roadmap to 3,000 Affordable Units Actions by Phases*

Phase	Actions
Phase 1	• Formalize the Municipal Housing Development (MHD) service area and the Housing Enterprise Action Team (HEAT) and other structure and actions plans required to support the Roadmap.
Phase 2	• Advance new policy, program, and investments to support Roadmap activities within existing authorities. • Propose policy amendments where needed to ensure the continued progress to achieve the targets of the Roadmap.
Phase 3	• Advocate policy, program, and investment plans related to Roadmap activities. • Implement strategies and measures to sustain affordable housing development at a rate necessary to minimize housing backlogs and waitlists as much as possible.

Furthermore, the housing target will be achieved through the implementation of various funding programs. These are:

Table 3 – *City Funding Programs to Achieve Affordable Housing Units Target*

Program	City Grant Per Unit	City Contribution Per Unit – Planning and DC Waivers (Grant in Lieu)
Secondary Suites – Homeowners & Developers	$ 20,000	n/a
Affordable Rental (Non-profit & Private)	$ 20,000	$25,000
Affordable Ownership (Non-profit)	$ 20,000	$25,000
City – led Shovel Ready Projects	n/a	n/a
Other (e.g transitional, temporary housing)	$ 20,000	$25,000
London Middlesex Community Housing Intensifications	n/a	n/a
Donations of land/property/capital	n/a	n/a
Inclusionary Zoning	n/a	n/a
Rent Supplements (Private developers & landlords)	$7,200 (per unit per year)	n/a

It should be noted that in 2023, funding directed towards the affordable rental program was partially relocated to the City-led Shovel Ready Project program to increase the number of targeted units for this program.

ARU Permissions Amendment and 5-Bedroom Limits

On August 29, 2023, City Council directed the following: to "prepare a zoning by-law amendment that would permit as of right building permits for up to four residential units where a zone permits singles, semis, or street townhomes as permitted by the statutory requirements of the *Planning Act*". To address the direction provided by Council, a staff report dated October 3, 2023, provided the following recommendations:

- That a London Plan Amendment be introduced to amend the London Plan to change the maximum permitted Additional Residential Units within single detached dwellings, semi-detached dwelling or street townhouse dwellings from a maximum of two additional residential units permitted, to a maximum of three additional residential units permitted.
- In addition, that a Zoning By-law Amendment be introduced to amend section "4.37 ADDITIONAL RESIDENTIAL UNITS" of the City's Zoning By-law to permit three additional residential units per lot instead of two.

Subsequent to the recommendations stated above, on October 17, 2023, City Council directed the following to "remove the bedroom limit city-wide, except Near Campus Neighbourhoods, and report back on possible limits to Near Campus Neighbourhoods

(NCN)". In a staff report dated January 30th, 2024, staff have provided the following recommendation to create more permissive zoning regulations relating to ARUs.

- To remove the city-wide 5-bedroom limit, except within Near Campus Neighbourhoods.
- To amend the bedroom limit within Near Campus Neighbourhoods from three to five.

To implement staff recommendations, amendments to the London Plan and the Zoning By-law are required to modify permissions related to bedroom limits and ARUs. In regard to the London Plan , Policy 942 states where additional residential units are permitted and the applicable criteria for these units. The proposed amendment to Policy 942 would permit ARUs within duplex, triplex, and converted dwellings and to permit up to two ARUs within an accessory building and delete reference to "structure" when referring to accessory buildings containing ARUs. The proposed amendments to Policy 942 are outlined in **Table 4** below:

Table 4 – *Proposed ARU Policies*

Policy	Existing	Proposed
942	Additional Residential Units are permitted as-of-right within single detached dwellings, semi-detached dwellings, or street townhouse dwellings where all of the following criteria are met:	Additional Residential Units are permitted as-of-right within single detached dwellings, semi-detached dwellings, street townhouse dwellings, duplex dwellings, triplex dwellings, or converted dwellings where all of the following criteria are met:
942.1	A maximum of three additional residential units are permitted, which may include a maximum of one additional unit in an accessory structure.	A maximum of three additional residential units are permitted, which may include a maximum of two additional units in an accessory building.
942.10	Additional residential units may be permitted within a legally established accessory structure that: a. Is located on the same lot as the primary dwelling unit. b. Is located in the rear yard. c. Cannot be severed. d. Is on full municipal services. e. Maintains the neighbourhood character. f. Meets the requirements of the zone which apply to accessory structures.	Additional residential units may be permitted within a legally established accessory building that: a. Is located on the same lot as the primary dwelling unit. b. Is located in the rear yard. c. Cannot be severed. d. Is on full municipal services. e. Maintains the neighbourhood character. f. Meets the requirements of the zone which apply to accessory buildings.

Pertaining to the Zoning By-law Z-1, staff amendments to various sections of the Zoning By-law to conform to and implement the amendments to the London Plan and modify regulations related to additional residential units and bedroom limits were identified.

The implementation of the recommended actions will permit ARUs in duplex, triplex and converted dwellings to permit up to two ARUs per accessory building and modify wording referring to accessory buildings containing ARUs. The Zoning by-law amendments would define “Detached Additional Residential Units”, permit front yard parking where an attached garage is converted into an ARU, and amend regulations related to detached ARUs. The recommended amendments are to encourage increased adoption and creation of ARUs while addressing existing gaps within the regulations elated to ARUs.

Furthermore, it should be noted that recent legislative changes introduced by the Province have brought changes to development charges and parkland dedication that can be applied to ARUs. Bill 23 introduced changes to the *Development Charges Act*, which makes ARUs exempt from development charges in new or existing detached house, semi-detached or rowhouse. In addition, Bill 23 has also exempted parkland dedication requirements (payment of cash-in-lieu of parkland) for additional residential units within or ancillary to single-detached, semi-detached or rowhouse.

2023 Annual Development Report

The Annual Development Report provides a summary of historic and forecasted near-term growth by development type, development by application activity, and continuous improvement initiatives that were taken during the year, as well as the percentage of new residential units located within the built area boundary. The 2023 Annual Development Report is the fifth report prepared by the City and has been updated to contain new sections on affordable housing and residential units in development approval stages to track progress towards the Roadmap to 3,000 Affordable Units. In addition, the report is also tracking the City of London’s progress towards its pledge of 47,000 units by 2031. The intent of this pledge is to demonstrate the City’s commitment to accelerating housing supply to meet the Province of Ontario's target of 1.5 million homes by 2031 to address the province’s housing crisis.

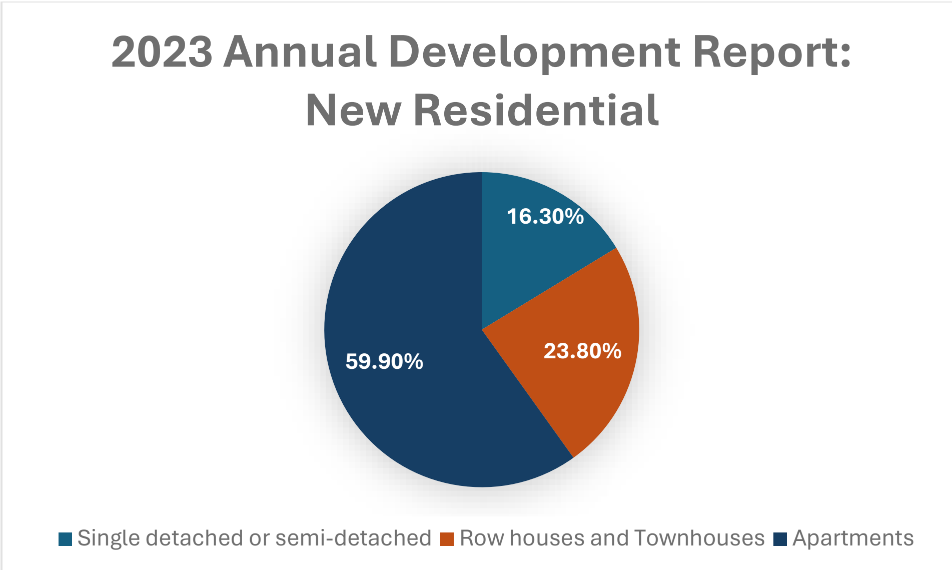

Figure 1 *– City of London 2023 Annual Development Report*

The 2023 Annual Development report demonstrated a trend of moving towards more medium and higher density forms of housing in the City of London. As outlined above, the chart demonstrates that of the new residential units, the majority were apartment units as opposed to lower density housing typologies. Furthermore, the intensification rate for the City was 43.5% in 2023.

In comparison to 2022, the total new residential units were down by 39% in 2023. The drop in overall residential building activity in 2023 can be in part attributed to:

- Consumer demand dropping due to higher mortgage rates and increasing difficulty in consumers meeting requirements of mortgage payments;
- Higher construction costs and higher interest rates making it more difficult to acquire financing for large construction projects; and,
- Substantial and increasing fixed costs for components of midrise buildings making some forms of midrise building less financially viable at the current time.

In tracking the progress towards achieving the housing pledge of 47,000 new units, there have been a total of 4,324 residential units constructed in 2022 and 2023. In addition, since the inception of the Roadmap to 3,000 Affordable Units Plan, there have been a total of 1,825 affordable housing units that have been tracked to the end of 2023. The City has constructed or contributed to the construction of 479 affordable housing units and secured an additional 19 affordable housing units through development agreements. The City has also started or guided the construction of 598 affordable housing units, and engaged in the project scoping and planning process of 729 affordable housing units. Future opportunities for 1,175 units are being assessed and explored.

While the Annual Development Report is a helpful monitoring tool, a Housing Supply Action Plan (HSAP) is expected to be introduced to City Council. The HSAP is expected to include foundations for actions and initiatives in support of the Housing Pledge, including how the City reports on development tracking.

London's Approved Housing Accelerator Fund Application

In April 2023, the Federal Government through the Canadian Mortgage and Housing Corporation (CMHC) announced details on the Housing Accelerator Fund (HAF). The HAF aims to encourage housing supply growth and enhance certainty in development approvals. In order to secure funding, applicants must demonstrate how HAF funds will achieve additional housing units beyond what will otherwise be achieved without HAF funding. Furthermore, the funding amount is based on housing targets set by the municipality between 2024 to 2026. As part of the application process, applicants must select seven of the twenty-five initiatives developed by CMHC to accelerate funding. The City of London chose the following initiatives:

Table 5 – *London's HAF Initiatives*

No.	London's Housing Accelerator Fund Action Plan Initiative
1	Promoting high-density development without the need for privately initiated rezoning (as-of-right zoning), e.g., for housing developments up to 10 stories that are in proximity (within 1.5 km) of rapid transit stations and reducing car dependency. • In addition, the City would also tie these incentives to inclusion of housing unit types for families, students and seniors at various levels of affordability to ensure a diverse and inclusive community is created. This initiative will also include implementing incentives for conversions from non-residential to residential and multi-unit housing within close proximity to transit through the development of a Community Improvement Plan.
2	Encouraging Additional Residential Units.
3	Promoting infill developments with increased housing density and a variety of unit types (e.g., duplexes or secondary suites).
4	Encouraging alternative forms of housing construction such as modular housing, manufactured housing, and prefabricated housing
5	Create a process for the disposal of city-owned lands assets for the development of affordable housing as-of-right (not requiring rezoning). • Through this initiative, the City aims to address the affordable housing crisis, utilize public assets effectively, create inclusive communities, and contribute to the city's sustainability goals. In addition, the city will also focus on a program to create shovel ready affordable housing projects.
6	Implementing new/enhanced processes or systems such as case management, e-permitting, land and building modelling.

No.	London’s Housing Accelerator Fund Action Plan Initiative
	• The e-permitting enhancements will also help streamline applications that may also involve standardized ‘pre-reviewed’ ARUs (as separate structures) whereby the process will be undertaken by dedicated staff.
7	Partnering with non-profit housing providers to preserve and increase the stock of affordable housing.

The City of London’s application provided a housing target of 2,187 additional units between 2024-2026 for eligibility up to $74,058,143.00 under the Housing Accelerator Fund. The following table provides a breakdown of the Housing Supply targets of the City of London for 2024 to 2026.

Table 6 – *Anticipated Housing Unit Targets*

	Unit Targets
Anticipated number of units over the next 3 years:	9,432 Units
Additional number of units over the next 3 years with Housing Accelerator Funding:	2,187 Units
London’s Housing Supply Growth Target	11,619 Units

On September 13, 2023, it was announced that London’s application had been successful and was approved to receive funds from the HAF. The allocation of funds for the application are outlined below.

Table 7 – *HAF Funding Allocation*

Funding Category	Funding Amount
Plan Initiatives and Financial Incentives:	$28,098,000
Investments in affordable housing	$20,000,000
Investments in housing-related infrastructure	$12,300,000
Investments in community-related infrastructure that supports housing	$13,660,000
Total	$74,058,000

APPENDIX C: SUMMARY AND ANALYSIS OF EXISTING CITY OF LONDON CIPS

Appendix C: Summary and Analysis of Existing City of London CIPs

Financial Incentive Programs

The following table lists the financial incentive programs in the City's CIPs that either incentivize affordable housing or support housing development. It should be noted that incentive programs that are indirectly supportive of housing development such as beautification programs to create a more attractive neighbourhood and/or streetscape are not listed in this table – those program details are available through the City of London's website.

***Table 8 –** Affordable Housing CIP Financial Incentive Programs*

CIP	Incentive Programs	Program for Affordable Housing	Program for Market Rental housing	Funding Stackable
Affordable Housing CIP	Affordable Housing Development Loan Program	Yes	No	Yes
Affordable Housing CIP	Additional Residential Unit Loan Program	No	Yes	Yes

***Table 9 –** CIPs with Incentive Programs Supporting Housing Development*

CIP	Incentive Programs	Program for Affordable Housing	Program for Market Rental housing	Funding Stackable
Heritage CIP	Tax Increment Grant	No	Yes	Yes
Heritage CIP	Development Charges Equivalent Grant	No	Yes	Yes
Brownfield CIP	Contamination Assessment Study Grant Program	No	No	Yes
Brownfield CIP	Property Tax Assistance Program	No	Yes	Yes
Brownfield CIP	Brownfields Development Charge Rebate	No	Yes	Yes

CIP	Incentive Programs	Program for Affordable Housing	Program for Market Rental housing	Funding Stackable
Brownfield CIP	Brownfields Tax Increment Equivalent Grant	No	Yes	Yes
Downtown CIP	Upgrade to Building Code Loan Program	No	No	Yes
Downtown CIP	Rehabilitation and Redevelopment Tax Grant Program (“Tax Grant”)	No	Yes	Yes
Downtown CIP	Combined Residential Development Charges (DC) and Tax Grant Program	No	Yes	Yes
Downtown CIP	Office-to-Residential (OTR) Conversion Grant Program	No	Yes	Yes
Argyle Core Area CIP	Upgrade to Building Code Loan	No	No	Yes
Argyle Core Area CIP	Rehabilitation and Redevelopment Tax Grant	No	Yes	Yes
Hamilton Road Area CIP	Upgrade to Building Code Loan Program	No	No	Yes
Hamilton Road Area CIP	Rehabilitation and Redevelopment Tax Grant Program (“Tax Grant”)	No	Yes	Yes
Old East Village CIP	Upgrade to Building Code Loan Program	No	No	Yes
Old East Village CIP	Rehabilitation and Redevelopment Tax Grant Program	No	Yes	Yes
Old East Village CIP	Combined Residential Development Charges (DC) and Tax Grant Program	No	Yes	Yes
SoHo CIP	Upgrade to Building Code Loan Program	No	No	Yes

CIP	Incentive Programs	Program for Affordable Housing	Program for Market Rental housing	Funding Stackable
SoHo CIP	Rehabilitation and Redevelopment Tax Grant	No	Yes	Yes

Affordable Housing CIP

The Affordable Housing CIP was adopted by City Council in January 2020 and applies City-wide. The CIP was created as a way to help incentivize the creation of affordable housing by the private and non-profit sectors.

The definition of affordability in this CIP is an income security based definition and includes housing at or below 100% average market rent (AMR), but doesn't include municipally-run Community Housing. The goal of the definition is to target housing for those who don't qualify for Community Housing but still need to pay more than 30% of their incomes to pay market rental rates. The question of how to define affordability is further explored in the "CIP Definitions" section.

The financial incentives offered under the CIP are very modest and short term. The program has not been well understood or seen as inadequate by the private sector and non-profit sector. There has been no uptake of the Affordable Housing Development Loan Program and only two successful applications for the Additional Residential Unit Loan Program.

REVIEW AND ANALYSIS OF GOALS & OBJECTIVES

Goals of the CIP are as follows:

- Reduce financial barriers to developing affordable housing units;
- Promote and encourage the creation of new affordable rental units;
- Support implementation of The London Plan, including the Homeless Prevention and Housing section of the Plan;
- Support the policy framework of the Housing Stability Plan by addressing needs indifferent housing forms and housing options;
- Support the work of community housing providers, including LMCH;
- Promote and encourage the creation and maintenance of mixed-income, complete communities;
- Support opportunities for infill and intensification from small to large scale (i.e. from Additional Residential Units to high-rise apartment forms);
- Assist in the regeneration of aging neighbourhoods and underutilized lands;
- Promote housing retention and promote aging in place; and

- Encourage environmental, social, and financial sustainability for the City and its citizens through strategic City investments in affordable housing initiatives.

Objectives of the CIP are as follows:

- Provide incentives to encourage the creation of more affordable housing units and provide relief from financial barriers to construction of affordable housing;
- Enable the creation of mixed-income buildings and communities (affordable and market);
- Assist in regeneration of community housing by creating more affordable housing supply;
- Evaluate land sales and surplus sites (e.g. closed school sites) for potential acquisition to deliver affordable housing;
- Create affordable units to support the goals of the Housing Stability Plan and The London Plan;
- Create affordable units at various levels of affordability and levels of intensification ('inward and upward' growth).

The goals and objectives, as existing in the CIP are in line with those reviewed from other municipalities and speak to the key goals of an affordable housing CIP – to incentivize the creation of additional affordable housing units.

The only goal that is in contradiction with other parts of the Plan is “Support the work of community housing providers, including LMCH” . As the current affordability definition excludes community housing, LMCH is excluded from accessing the current incentives and therefore the plan does not support this goal in its current form.

REVIEW AND ANALYSIS OF INCENTIVES

The Affordable Housing CIP offers two financial incentives outlined in **Table 10** below:

Table 10 – *Affordable Housing CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Affordable Housing Development Loan Program	Financial assistance for pre-development costs in the form of loan payments for eligible projects, repayable to the City by occupancy permit issuance.	Financial tools that facilitate pre-development project costs are one of the critical pieces that municipalities can provide for the provision of affordable housing, due to the planning and building permit application materials and sophisticated submission materials necessary for receiving construction funding from other levels of government.

Financial Incentive Program	Purpose	Implications for Increasing Housing
		However, given the requirement of this program to maintain affordability of units for 20 years, in combination with the requirement for repayment – particularly for the payments to occur during the construction period (when project finances are tightest prior to any rental income being received), it is likely unfeasible for this incentive to provide sufficient financial relief for projects to facilitate the level of affordability it requires. This will be further investigated through the project engagement.
Additional Residential Unit Loan Program	Financial assistance for pre-development costs in the form of loan payments for eligible projects, repayable to the City over 9 years.	Financial tools that facilitate additional residential units are another important incentive that municipalities can provide for the provision of affordable housing, and one that allows for residential intensification of existing housing stock. However given the requirements of this program – the loan cannot be used for construction purposes and for full repayment without a portion available as grant money potentially explains why this program is unfeasible for residents to access, given the high costs for converting or building ARUs.

Heritage CIP

The Heritage Community Improvement Plan was adopted by City Council in March 2007 and applies City-wide. This CIP was established to address concerns regarding the demolition of heritage buildings listed in the City of London's Inventory of Heritage Resources. The City of London recognizes that heritage resources are threatened by deterioration and destruction because it is often more cost effective to demolish buildings than rehabilitate them. The purpose of this CIP is to address some of the financial impacts associated with heritage preservation by providing incentives to promote building rehabilitation in conjunction with new development.

The goal of the CIP is as follows:

- Maintain the identity of the City of London, create a sense of place and ensure that the history of the City is retained for future generations to enjoy

Affordable housing is not explicitly mentioned in the Heritage CIP. There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits "stacking"[1] of financial incentives but notes that the combined benefits from this CIP and any other CIP may not exceed the cost of rehabilitation work.

REVIEW AND ANALYSIS OF INCENTIVES

The Heritage CIP offers two financial incentives outlined in **Table 11** below:

Table 11 – *Heritage CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Tax Increment Grant	Encourage the retention of existing designated heritage buildings in the City by removing some of the costs associated with preservation.	May be combined with other financial incentives to contribute to housing supply.
Development Charges Equivalent Grant	Offer additional enticement to protect designated heritage buildings from destruction when faced with a development proposal.	May be combined with other financial incentives to contribute to housing supply.

Brownfield CIP

The City's Brownfield Community Improvement Plan (CIP) was adopted by City Council in 2006, with the purpose of removing and/or reducing the barriers to the remediation and redevelopment of brownfield sites. The redevelopment of brownfield sites supports an efficient use of existing serviced lands with municipal infrastructure, while contributing to environmental improvements and enhanced community vitality. The Brownfield CIP applies to lands within the Urban Growth Boundary.

The Brownfield CIP does not contain housing goals and does not explicitly mention or define affordable housing. There are no incentive programs in this CIP for affordable

[1] Stacking of incentives in CIPs is a policy that allows a proponent to apply for more than one funding program for the same project.

housing. Furthermore, this CIP permits stacking of financial incentives but notes that the combined benefits from this CIP or any other CIP may not exceed the cost of rehabilitating the lands.

REVIEW AND ANALYSIS OF INCENTIVES

The Brownfield CIP offers five financial incentive programs, as outlined in **Table 12** below. These program incentives will support the remediation and redevelopment of brownfield sites, stimulating private reinvestment activity and reducing the detrimental effects associated with contaminated lands.

Table 12 – *Brownfield CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Contamination Assessment Study Grant Program	Provide accurate information on the extent of contamination that may be present and the remediation costs that may be incurred to facilitate redevelopment.	May be combined with other financial incentive programs to facilitate increased housing supply. May support the HAF initiative for the disposal of City-owned lands for development of as-of-right housing.
Property Tax Assistance Program	Encourage the rehabilitation and development of brownfield sites through tax assistance in the form of cancellation of 25% of current property taxes for up to 3 years during which rehabilitation and development activity is taking place. NOTE: This program did not receive funding through the Multi-Year Budget.	Encourages redevelopment of brownfield properties that may contain new residential units. May be combined with other financial incentive programs to further contribute to housing supply. May support HAF initiatives to promote high-density residential development within proximity of rapid transit stations and to promote infill developments.
Brownfields Development Charge Rebate	Encourage the rehabilitation and development of brownfield sites by lowering upfront development costs through reduced development charges.	Encourages redevelopment of brownfield properties that may contain new residential units. May be combined with other financial incentive programs to further contribute to housing supply.

Financial Incentive Program	Purpose	Implications for Increasing Housing
		May support HAF initiatives to promote high-density residential development within proximity of rapid transit stations and to promote infill developments.
Brownfields Tax Increment Equivalent Grant	Encourage the rehabilitation and development of brownfield sites through reimbursement of portion of municipal tax increase.	Encourages redevelopment of brownfield properties that may contain new residential units. May be combined with other financial incentive programs to further contribute to affordable housing supply. May support HAF initiatives to promote high-density residential development within proximity of rapid transit stations and to promote infill developments.
Green Municipal Fund	Support brownfield remediation through financing for municipal environmental projects that require extraordinary funding beyond the financial assistance that may be available through the City's CIP. Projects may include those related to energy, water, waste, sustainable transportation, integrated community planning, and brownfield remediation. This program is funded by the Government of Canada and managed by the Federation of Canadian Municipalities.	To the extent that the projects would contribute to development of affordable housing, for example through water/wastewater servicing for housing.

Core Area CIP

The Core Area Community Improvement Plan (CIP) was adopted in 2021 with the purpose of addressing gaps hindering the success of the core area, as identified in the Core Area Action Plan. The community improvement project area (CIPA) boundaries overlap with the Downtown CIP and the Old East Village CIP, addressing both of these areas in part. The vision for the Core Area CIP is to solidify the Core Area as the primary destination in the City for arts, culture, and entertainment, representing a positive image of London. The goals of the CIP is as follows:

a. Create a positive image that is representative of the city as a whole.
b. Create a welcoming environment that is safe and secure for everyone.
c. Offer compassionate care for those who need it.
d. Improve accessibility by active and public transportation modes.
e. Serve as a destination for locals and tourists.
f. Expand opportunities for culture, arts, music and entertainment.
g. Increase activity outside of office business hours.
h. Remove barriers for small and local businesses.
i. Attract and retain businesses, talent and investment.
j. Create great streetscapes that are visually interesting, accessible and clean.
k. Increase the residential population.
l. Support local residents and build a sense of community.

Affordable housing is not explicitly mentioned or defined in the Core Area CIP. There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits stacking of financial incentives in other CIPs, where eligible. It should be noted the programs in the Core Area CIP did not receive funding in the Multi-Year Budget.

REVIEW AND ANALYSIS OF INCENTIVES

The Core Area CIP offers three financial incentive programs as outlined in **Table 13** below.

Table 13 – *Core Area CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Core Area Safety Audit Grant Program	Assist property owners in implementing Core Area Safety Audit recommendations that identify property modifications necessary to improve safety. These may include but are not limited to landscaping, exterior lighting, exterior security measures, storefront gates, or other improvements as identified in the Safety Audit approved by the City Planner.	May be combined with other financial incentive programs from the Downtown CIP such as the Tax Grant to contribute to increased housing supply.

Financial Incentive Program	Purpose	Implications for Increasing Housing
Core Area Boulevard Café Grant Program	Offset administrative and license fees related to the operation of a boulevard (or sidewalk) café, including fees associated with the temporary use of the City sidewalk and/or street parking space related to a boulevard café.	N/A
Core Area Sign Grant Program	Offset administrative and license fees related to sign permits, including the encroachment of signs on a City street or road allowance. The funding for this program is to be ceased on December 31st, 2023, unless otherwise extended by the City.	N/A

Downtown CIP

The City of London's Downtown Community Improvement Plan (CIP) was adopted by City Council in 1996 and amended in 2017 to expand the community improvement project area (CIPA) boundary to include Richmond Row. Further amendments to the Downtown CIP program were made in February 2024 to introduce an Office-to-Residential (OTR) Conversion Grant Program. The purpose of the Downtown CIP is to stimulate private investment and property maintenance and renewal in Downtown, by fostering an environment that will increase the supply of residential units within the Downtown to ensure a viable population, and to encourage the provision of unique or specialized attractions, public facilities, and community amenities to make the Downtown an attractive place for investment.

The goals of the CIP are as follows:

a. To enhance the Downtown as a unique community and the Heart of the City. The Downtown shall be a place where people are attracted to live, work, shop and play;

b. To encourage the preservation of significant heritage resources;

c. To encourage and assist private property owners to rehabilitate buildings in the Downtown to ensure their long-term economic viability;

d. To focus municipal efforts that address the provision of streetscape improvements, municipal services, and infrastructure; and,

e. To promote the continued development of the Downtown as the primary office, cultural, and administrative centre for the City, and as a regional centre for Southwestern Ontario.

Affordable housing is not explicitly mentioned or defined in the Downtown CIP. There are no incentive programs in this CIP for affordable housing. The CIP does not mention whether stacking of incentives are permitted.

REVIEW AND ANALYSIS OF INCENTIVES

The Downtown CIP offers five financial incentive programs as outlined in **Table 14** below.

Table 14 – *Downtown CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Downtown Façade Improvement Loan Program	Assist property owners with façade improvements to bring properties/buildings into conformity with the City's Property Standards by-law. Note: May be administered as a forgivable loan to eligible properties in the Downtown CIPA.	May be combined with other financial incentive programs to contribute to housing supply.
Downtown Upgrade to Building Code Loan Program	Assist property owners with financing building improvements to comply with current Building Code requirements. May be administered as a forgivable loan to eligible properties in the Downtown CIPA. NOTE: This program did not receive funding from the Multi-Year Budget.	Upgraded buildings may encourage the development of new residential units. Increasing the forgivable loan portion of this program from 12.5% to 50% for residential units created above the ground floor was recommended through the 2023 CIP Review but not funded, which may have increased the uptake of the program, contributing to increased housing supply.

Financial Incentive Program	Purpose	Implications for Increasing Housing
		May support the HAF initiative to promote infill developments as building upgrades (e.g fire separation) are often required to introduce housing.
Downtown Rehabilitation and Redevelopment Tax Grant Program (“Tax Grant”)	Assist in the rehabilitation and/or redevelopment of residential and commercial properties in the Downtown CIPA. Helps property owners transition to higher tax assessment due to property improvements. Three grant funding levels are offered for Heritage Designated Properties, Rehabilitation / Renovation, or Redevelopment.	Encourages rehabilitation or redevelopment of new residential units on residential and commercial properties. May be combined with other financial incentive programs to further contribute to affordable housing supply. May support the HAF initiative to promote high-density residential development within proximity of rapid transit stations.
Downtown Combined Residential Development Charges (DC) and Tax Grant Program	Assist in the development or redevelopment of new residential units in the Downtown CIPA.	Encourages development of new multi-unit residential buildings. May be combined with other financial incentive programs to further contribute to affordable housing supply. May support the HAF initiative to promote high-density residential development within proximity of rapid transit stations.
Downtown Office-to-Residential (OTR) Conversion Grant Program	Facilitates conversion of vacant Class B and C office buildings to residential units. This program will function as a forgivable loan.	Encourages the development of new residential units in older buildings through conversion and adaptive re-use. May be combined with other financial incentive programs to further contribute to housing supply. May support the HAF initiatives to promote high-density residential development within proximity of rapid transit

Financial Incentive Program	Purpose	Implications for Increasing Housing
		stations and to promote infill developments.

Argyle Core Area CIP

The Argyle Core Area Community Improvement Plan (CIP) was adopted in 2021, following a recommendation from the Argyle Regeneration Study that sought to establish a vision and prioritize actions for the improvement of the Argyle core area. The CIP vision is for the Argyle Core Area to be a welcoming, well-maintained, and safe destination with unique small businesses and shops that support an established and growing residential neighbourhood by 2035. Throughout the development of the CIP, residents and community partners noted key opportunities for improvement related to fostering more residential growth and providing affordable housing. The Argyle Core Area CIP outlines community and City identified action items to support six improvement categories aligned with the vision and goals of the CIP. In particular, under the improvement category named Strengthening the Community, a municipal action is identified to explore opportunities to construct purpose-built quality affordable housing in the Argyle Core Area. However, affordable housing is not otherwise mentioned nor defined in the CIP.

There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits stacking of financial incentives in other CIPs, where eligible. It should be noted the programs in the Argyle Core Area CIP did not receive funding in the Multi-Year Budget.

REVIEW AND ANALYSIS OF INCENTIVES

The Argyle Core Area CIP offers three financial incentives as outlined in **Table 15** below.

Table 15 – *Argyle Core Area CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Argyle Core Area Façade Improvement Loan	Assist property owners with improvements to building facades abutting or very visible from the public right-of-way, to bring participating properties into conformity with the Property Standards By-law and achieve applicable Urban Design Guidelines.	May be combined with other financial incentive programs to contribute to housing supply. The City is investigating the feasibility of including a forgivable loan component for properties facing Dundas Street between Clarke Road and Hale Street, which may

Financial Incentive Program	Purpose	Implications for Increasing Housing
		increase uptake of this program.
Argyle Core Area Upgrade to Building Code Loan	Assist property owners with the financing of building improvements to ensure older buildings comply with contemporary Building Code Requirements. The costs associated with these improvements often pose an issue for building owners wanting to upgrade their properties.	Upgraded buildings may encourage the development of new residential units. The City is investigating the feasibility of including a forgivable loan component for properties facing Dundas Street between Clarke Road and Hale Street, which may increase uptake of this program, and support potential development of housing. May support the HAF initiative to promote infill developments.
Argyle Core Area Rehabilitation and Redevelopment Tax Grant	Provide economic incentive for the rehabilitation of mixed-use and commercial propertied in areas where the building stock is older.	Encourages rehabilitation or redevelopment of new residential units on mixed-use and commercial properties. May be combined with other financial incentive programs to further contribute to housing supply. The City is investigating the feasibility of including a forgivable loan component for properties facing Dundas Street between Clarke Road and Hale Street, which may increase uptake of this program, and support potential development of housing. May support the HAF initiative to promote high-density residential development within

Financial Incentive Program	Purpose	Implications for Increasing Housing
		proximity of rapid transit stations.

Hamilton Road Area CIP

The Hamilton Road Area Community Improvement Plan (CIP) was adopted in March 2018 with the goal of establishing the Hamilton Road Area as an attractive destination filled with heritage, diverse local businesses, and multi-cultural restaurants, while being a safe and welcoming neighbourhood by 2027. Key areas of improvement identified in the development of the CIP are for streetscape and safety improvements, an enhanced pedestrian environment, and a vibrant and healthy mixed-use main street.

The CIP outlines community and City identified action items to support six improvement categories aligned with the CIP's vision. In particular, under the improvement category named Strengthening the Community, a municipal action is identified to explore opportunities to construct purpose-built well-designed affordable housing in the Hamilton Road Area. While affordable housing is not otherwise mentioned or defined in the CIP, public consultation noted the lack of housing options as a community improvement need. The CIP also notes that it shall consult with the Housing Development Corporation (HDC) to identify success measures of affordability.

There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits stacking of financial incentives in other CIPs, where eligible.

REVIEW AND ANALYSIS OF INCENTIVES

The Hamilton Road Area CIP offers four financial incentive programs as outlined in **Table 16** below.

***Table 16 –** Hamilton Road Area CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Hamilton Road Area Façade Improvement Loan Program	Assist property owners with street façade improvements and bring participating properties into conformity with Property Standards By-law and applicable Urban Design Guidelines. NOTE: City may provide no-interest loans that are paid back over a 10-year period.	May be combined with other financial incentive programs to contribute to housing supply.

Financial Incentive Program	Purpose	Implications for Increasing Housing
Hamilton Road Area Upgrade to Building Code Loan Program	Assist property owners with financing building improvements to comply with current Building Code requirements. NOTE: City may provide no-interest loans that are paid back over a 10-year period.	Upgraded buildings may encourage the development of new residential units. May support the HAF initiative to promote infill developments.
Hamilton Road Area Rehabilitation and Redevelopment Tax Grant Program ("Tax Grant")	Assist in the rehabilitation and/or redevelopment of mixed-use and commercial properties in the Hamilton Road CIPA. Helps property owners transition to higher tax assessment due to property improvements. Three grant funding levels are offered for Heritage Designated Properties, Rehabilitation / Renovation, or Redevelopment.	Encourages rehabilitation or redevelopment of new residential units on residential and commercial properties. May be combined with other financial incentive programs to further contribute to housing supply. May support the HAF initiative to promote high-density residential development within proximity of rapid transit stations.
Front Yard Tree Program for Hamilton Road	Provide trees in the front yards of residential and commercial properties in a designated area along the Hamilton Road Corridor Sub-Project Area. This program is intended to complement the efforts to provide significant tree canopy cover in the Hamilton Road Main Street Capital Project and the London Urban Forest Strategy.	N/A

Lambeth Area CIP

The Lambeth Area CIP was initiated by the Ward Councillor and the Community Association in 2014. The purpose of the CIP study was to identify the opportunities and challenges of the area and prioritize actions for how the Lambeth Area CIP Project Area will be improved. The CIP vision is that Lambeth will be a place for others to visit and well known for its history. In addition, it is stated that Lambeth will come alive through the charming historic main streets, unique shops and services, the Dingman Creek, parkland and community events. The Lambeth Area CIP includes three project sub-areas which are Lambeth Village Core, Wharncliffe Road Corridor, Lambeth Residential Neighbourhood. The CIP identifies that an important aspect of supporting community improvement is to engage the private sector. As such, there are two financial incentive programs included in the CIP. However, it should be noted that financial incentives are only applicable to properties located in the Lambeth Village Core and the Wharncliffe Road Corridor.

Goals of the CIP are as follows:

a. Supporting Businesses and the local economy
b. Strengthening community and connections
c. Improved mobility and safety
d. Developing high quality public real and recreation opportunities
e. Strengthening and conserving cultural heritage
f. Enhancing and conserving natural heritage

Affordable housing is not explicitly mentioned in the Lambeth Area CIP. There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits stacking of financial incentives in other CIPs, where eligible.

REVIEW AND ANALYSIS OF INCENTIVES

The Lambeth Area CIP offers the following two financial incentives as outlined in **Table 17** below.

Table 17 – *Lambeth Area CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Lambeth Village Core Facade Improvement Loan Program	Assist property owners in the identified community improvement project areas with facade improvements and to bring participating buildings and properties within the identified community improvement areas into conformity with the SWAP, City of London Property Standard's By-law and applicable City Design Guidelines	May be combined with other financial incentives to contribute to housing supply.

Financial Incentive Program	Purpose	Implications for Increasing Housing
Wharncliffe Road Corridor Sign Loan Program	Assist property owners with eligible signage works to improve building signage and bring participating sings into conformity with the Property Standards By-law and applicable City Design Guidelines NOTE: This program did not receive funding through the Multi-Year Budget.	Not applicable for the provision of housing

Old East Village CIP

The Old East Village CIP was adopted in November 2005, following the recommendations of the “Re-establishing Value – A Plan for the Old East Village” plan produced by the Planners Action Team (PACT). The purpose of the CIP is to improve the physical, economic and social climate in the Old East Village. Specific priorities outlined in this plan is to stimulate private investment, property maintenance and renewal within the Project Area. The focus of these priorities is to improve the desirability of the Old East Village corridor for new commercial uses in some portions of the corridor and to support and encourage transition to more viable uses in other portions of the corridor. The financial incentive program guidelines of the CIP have been revised numerous times; the latest revision occurred on October 27, 2020. The CIP offers four financial incentive programs; however, the “Rehabilitation and Redevelopment Tax Grant” and the “Residential Development Charges Grant Program” are not applicable to the Entertainment and Recreation Zone.

The CIP does not include specific goals nor explicitly mention affordable housing. There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits stacking of financial incentives in other CIPs, where eligible.

REVIEW AND ANALYSIS OF INCENTIVES

The Old East Village CIP offers four financial incentives as outlined in **Table 18** below.

Table 18 – *Old East Village CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Facade Improvement Loan Program	Assist property owners in identified community improvement project areas	May be combined with other financial incentives to contribute to housing supply.

Financial Incentive Program	Purpose	Implications for Increasing Housing
	with facade improvements and to bring participating buildings and properties within the identified community improvement areas into conformity with the City of London's Property Standards By-law.	
Upgrade to Building Code Loan Program	Assist property owners with the financing of building improvements to ensure older building comply with current Building Code Requirements.	Upgraded buildings may encourage the development of new residential units. The City is currently investigating the feasibility of amending the program to increase the amount of forgivable portion from 12.5% to 50% for residential units created in building level above the ground floor. May support the HAF initiative to promote infill developments. NOTE: The increased forgivable loan portions did not receive funding through the Multi-Year Budget.
Rehabilitation and Redevelopment Tax Grant Program	Provide economic incentive for the rehabilitation and/or redevelopment of the residential and commercial properties in the Old East Village Improvement Project Area.	Encourages rehabilitation or redevelopment of the existing residential and commercial properties in the Old East Village Project Area. May be combined with other financial incentive programs to further contribute to housing supply. May support the HAF initiative to promote infill development.
Combined Residential Development Charges (DC) and Tax Grant Program	Provide economic incentive for the development of residential properties in the Old East Village Community Improvement Project Area	Encourage the development of residential units in older buildings through conversion and adaptive re-use. In addition, this incentive aims to

Financial Incentive Program	Purpose	Implications for Increasing Housing
		promote intensification and redevelopment within the existing built-up area. May be combined with other financial incentive programs to further contribute to housing supply. May support the HAF initiative to promote infill development. In addition, may support the HAF initiative to promote high-density residential development within proximity of rapid transit stations.

SoHo CIP

The SoHo CIP was established in 2011 and prepared by the City in collaboration with the community of Soho and the Soho community association. The CIP study helped identify the opportunities, and existing and future challenges which informed the vision, principles and strategic directions of this Plan. Overall, the plan provides a framework to direct public and private investment into the neighbourhood. The CIP vision is that SoHo will be a vibrant and healthy urban neighbourhood that celebrates its rich sense of community and heritage. In order to achieve this mission, the key initiatives are divided into four themes. These include the Old Victoria Hospital Lands, Neighbourhoods Places, Neighbourhood Movement and Neighbourhood Public Space.

The CIP does not include specific goals addressing affordable housing. However, it should be noted that one of the social initiatives of the plan includes continuing to work on housing options for those without in the neighbourhood, which may include affordable housing. More specifically, it encourages Middlesex London Housing Corporation and Odell-Jalna Residences in London to expand the delivery of social and recreational services in SoHo.

There are no incentive programs in this CIP for affordable housing. Furthermore, this CIP permits stacking of financial incentives in other CIPs, where eligible.

REVIEW AND ANALYSIS OF INCENTIVES

The SoHo CIP offers three financial incentives which are outlined in **Table 19** below.

Table 19 – *SoHo CIP Financial Incentive Programs*

Financial Incentive Program	Purpose	Implications for Increasing Housing
Facade Improvement Loan	Assist property owners in identified community improvement project areas with facade improvements and to bring participating buildings and properties within the identified community improvement areas into conformity with the City of London Property Standards By-law.	May be combined with other financial incentives to contribute to housing supply.
Upgrade to Building Code loan	Assist property owners with the financing of building improvements to ensure older buildings comply with the current Building Code Requirements.	Upgrade buildings may encourage the development of new residential units. May support the HAF initiative to promote infill developments.
Rehabilitation and Redevelopment Tax Grant	Provide economic incentive for the rehabilitation and/or redevelopment of residential and commercial properties in the Soho Community Improvement Project Area.	Encourages rehabilitation or redevelopment of the existing residential and commercial properties in the SoHo Project Area. May be combined with other financial incentives programs to further contribute to housing supply. May support the HAF initiative to promote infill developments. In addition, may support the HAF initiative to promote high-density residential development within proximity of rapid transit stations.

APPENDIX D:

REVIEW OF CIPS AND HOUSING PROGRAMS IN OTHER ONTARIO MUNICIPALITIES

Appendix D: Review of CIPs and Housing Programs in Other Ontario Municipalities

The project team undertook a review of existing CIPs as well as other relevant affordable housing incentive programs from other larger municipalities across Ontario. Specifically, programs were examined from Toronto, Hamilton, Waterloo Region (including the area municipal cities of Waterloo, Cambridge, Kitchener, and the Region), Barrie, Peterborough, Windsor, Ottawa and Mississauga. The latter two have draft plans that have not been approved by Council at the time this report was published.

In reviewing these affordable housing incentive programs, certain aspects of the plans and programs have been highlighted below for consideration by the City of London:

City of Toronto

City of Toronto Open Door has previously been funded with $80M a year, leading to ~900-1200 affordable units annually at an average subsidy of $50,000 to $300,000/unit. Currently undergoing a program review of budget allocations to reflect the impact of provincial planning act/development charge changes as well as impact of Housing Accelerator Fund. Due to elimination of property taxes and non-payment of development charges, there has been significant private sector participation in creating affordable rental units at 100% of CMHC average market rents.

Table 20 – *City of Toronto CIP and Housing Programs*

Incentive Program	Select Features
Open Door Affordable Housing Program **Financial Incentives**	• Financial incentives and grants offered through Toronto's Open Door program for affordable housing development can vary depending on the specific project, eligibility criteria, and available funding. However common types of financial support that may be provided include development charge offsetting grants; capital grants to help with site acquisition; planning fee and building permit fee waivers; land contributions; operating though rent supplements; and exemption from paying municipal property taxes. • The City encourages applicants who propose rental housing for priority tenant groups: Black/Indigenous people, women, seniors, youth, individuals with disabilities and those experiencing homelessness – the amount of capital grant per unit may be higher for supportive housing, for example. • Of Open Door's budget for capital funding, minimum of 20% is reserved for applications from Indigenous Housing providers.

	• A minimum affordable target is not unit-based, as in many CIPs, but rather equates to 30% of the total buildable residential gross floor area of the development. • Affordable rents must be maintained for a minimum of 40 years. • Toronto is in the process of moving from an annual proposal call process for Open Door incentives to a request of Open Door non-payment of fees and taxes on a regular intake basis.
Open Door Program **Planning Service**	• The Open Door Planning Service helps expedite the approval of planning applications for projects eligible under the program. A dedicated staff member will be assigned to the file to assist with coordination and facilitation of an expedited approval of the project.
Open Door Program Promotion	• The Housing Secretariat maintains an Open Door Registry of organizations and developers and partners interested in the program. They are notified by email when new program information is released and when applications and calls for proposals are issued.
Multi-Unit Residential Acquisition (MURA)	• Offers funding of up to $200,000 per unit to not-for-profit housing providers to purchase existing affordable private sector rental housing stock for Toronto residents. The city also eliminates the paying of property taxes and this funding assistance is provided in exchange for the rents being reduced to no more than 80% of Toronto average market rents. • The program supports the purchase and conversion of private market rental housing to create permanent affordable homes owned by non-profit and Indigenous housing organizations, including community land trusts. • These homes will be secured as affordable housing for at least 99 years.

City of Hamilton

Table 21 – *City of Hamilton CIP and Housing Programs*

Incentive Program	Select Features
Housing for Hamilton CIP **Roxborough Rental Housing**	• Intended to provide forgivable loans equivalent to the value of municipal Development Charges required for rental units created within the Roxborough Community Improvement Plan Area (CIPA). Forgivable loans provided under this program are intended to support the creation of new residential rental units which meet a specific rent threshold in the city, and which will

Loan Program (RRHLP)	contribute to the broader spectrum of housing options within the Roxborough CIPA specifically. The program has been success in supporting the regeneration of a large former low density housing site to create a larger number of new municipal and private sector rental housing including affordable rental. • This program was created to support redevelopment of a large landholding by City Housing Hamilton.
Housing for Hamilton CIP (2024)	• In February 2024 City Council adopted an amendment to the City's Housing for Hamilton CIP, which expanded the CIPA to the entire City, with two sub-areas: Rapid Transit Housing Area, and the Roxborough sub-area • Incentives in the plan include; an ADU and Multi-Plex Housing Incentive Program; a Rapid Transit Multi-Residential Rental Housing Incentive (RTMRHI) Program, a Housing Acceleration Incentive (HAI) Program, and the existing Roxborough Programs.
Affordable Housing Development Project Stream	• The City's Housing Secretariat has created a formalized process for receiving funding requests for Affordable Housing projects, through an application portal on their website • Applications are reviewed in batches per quarter, with any funding decisions for money to be spent made based on who has applied by the deadline

Waterloo Region

***Table 22 –** Waterloo Region CIP and Housing Programs*

Incentive Program	Select Features
Capital Grants	• Every year or two, the Region offers grants to help offset the capital cost of building new affordable and supportive housing. The funding has come from a mixture of the Federal-provincial funding (currently OPHI) and in the past two years, direct Region funding. Capital funding can be up to $150,000 per affordable housing unit. • Funding is allocated based on responses to requests for proposals (RFP) issued by the Region. • To be eligible for funding, an organization must: be a non-profit or private sector corporation; own or have an accepted offer for land to build on; and have proper zoning for the development or have preliminary support from the area municipality for a zone change.

	• Development charge grants, brownfield incentives programs and property tax breaks are all stackable with other regional and area municipality programs.
Secondary Suite Funding	• Distinct from a CIP, the Region of Waterloo offers secondary suite funding for eligible homeowners through the Ontario Renovates program, with grants of up to $25,000 per unit with additional funding available as a loan, with affordability requirements.
CIP - Regional Reurbanization Facilitation Program (RRFP)	• Allows the Region to take a more active role in furthering key projects along their LRT/BRT transit corridor. • May purchase and hold lands for community improvement, prepare said lands through land assembly, site remediation, lot reconfiguration, planning approvals, demolition, site preparation, improving existing structures, and the marketing and sale of said lands.
Property Tax Exemption for Affordable Housing	• The Property Tax Exemption for Affordable Housing Program is a new initiative which will begin taking applications later this year, with tax exemptions starting in 2025. The program aims to maintain affordable housing buildings that exist in Waterloo Region, and support property buyers who are committed to affordable rents. New affordable housing can also apply for exemption of Region property taxes in exchange for a long term – commitment – at least 60 years – of charging affordable rents at no more than 80% of CMHC average market rents.

City of Cambridge

***Table 23 –** City of Cambridge CIP and Housing Programs*

Incentive Program	Select Features
Affordable Housing CIP	• Assists in the development of affordable housing in the city by providing incentive-based programs which encourage the creation of affordable housing units. • Private Sector Investment: financial incentives that will exempt affordable rental units from planning, building and sign application fees, defer city Development Charges for 20 years and provide a Tax Increment Grant to properties within the CIP area. • Non-Profit Sector Investment: All non-profit organizations are now exempt from development charges due to provincial legislation (the Cambridge CIP had a 20-year deferral of Development charges for non-profits), and they are exempt

	from all planning, building and sign permit fees and the Affordable Housing Tax Increment Grant for projects within the areas of the city within the defined nodes and corridors.
Affordable Housing CIP **Project Area**	• Schedules A to H of the CIP identify the Community Improvement Project Area which consists of all lands in the Regeneration and Node areas. The Project Area also includes the Core Areas which have existing building permit, sign and planning application fees and development charge exemptions and will now be additionally eligible for Tax Increment Grants through the Affordable Housing CIP policies. • Regeneration and Node Areas and Core Areas are where affordable housing development should be directed. Nodes tend to be at major intersections and offer a mix of housing, employment and services which are served by transit. Regeneration Areas are developed areas within the city where a transition from one use to another is anticipated.

City of Waterloo

Table 24 – *City of Waterloo CIP and Housing Programs*

Incentive Program	Select Features
Affordable Rental Housing Grant Program (released April 2024)	• Program aims to help not-for-profits offset some of the capital costs (including fees/charges) of creating and/or retaining affordable housing units through a grant. • Eligible projects may not include shelters, crisis care facilities and transitional housing. Affordable rents must be 80% of average market rents of less. • Eligible costs include land and construction costs, development application fees, development charges and select capital costs. • Currently $1.1 million is available in capital grants in the initial 2024 proposal call

City of Kitchener

***Table 25 –** City of Kitchener CIP and Housing Programs*

Incentive Program	Select Features
Downtown Kitchener CIP Incentives for Adaptive Reuse	• Encourages adaptive re-use of buildings to conserve existing building stock and local built heritage, as the city has been tackling challenges faced by the investment community in reusing older industrial and commercial buildings. • CIP Appendix lists has prioritized specific sites for investment encouragement which are highlighted in the CIP as priority sites. • Tax Incentives available for the rehabilitation or redevelopment of older buildings and under-utilized sites. • Funding assistance for Private Sector Feasibility Studies for the renovation, conversion, or redevelopment of priority sites. • Exemptions from planning and building permit fees.
Upper Storey Renovation Program	• The intent of this incentive is to stimulate the renovation of currently vacant or underutilized floor space in any of the upper storeys of an existing building with commercial or other non-residential ground floor use. The proposed project's total cost must be greater than $40,000, and create new residential units with a minimum of 650 square feet in size. • Included as part of their evaluation framework criteria is to encourage or reward projects that provide high-quality architecture and urban design or enhanced environmental sustainability, etc.
Housing Accelerator Fund (HAF)	• will provide over $42.4 million to eliminate barriers to building housing more quickly. It will encourage high and medium density around Kitchener's Light Rail Transit stations by making planning regulations more permissive. Gentle density in Kitchener's existing low-density neighbourhoods will be easier by permitting four units as-of-right. Kitchener's HAF action plan will also make affordable housing easier to build by making land and incentives available to affordable housing providers. While not yet implemented, the Mayor of Kitchener and city planning staff have indicated that up to $10,000 per unit for non-profit housing will be made available through HAF to support affordable non-profit developers with soft costs/pre-construction costs.

City of Barrie

***Table 26 –** City of Barrie CIP and Housing Programs*

Incentive Program	Select Features
CIP - Redevelopment Grant Program	• Aims to provide incentives to promote the redevelopment of underutilized sites within the Urban Growth Centre and strategic growth areas, including but not limited to brownfield sites, for the purpose of providing a mix of land uses including residential, commercial, office and institutional to help create a more complete community.
CIP - Affordable Housing Development Grant Program	• Provides incentives to promote the development of affordable housing units, based on a definition of "affordable" that allows the city to address the full range of housing including low and low to moderate income households. • To be eligible for the grant, projects need to provide more than 3 affordable units (compared to many other comparable CIPs for Ontario cities where the minimum number is 10). • Also includes projects providing emergency housing, transitional housing, social housing, purpose built rental, and other creative housing solutions. • Units must be deeply affordable with pricing geared to households whose income is in the lowest 40th percentiles to address the biggest deficit on the housing continuum in Barrie. • Project must be situated in proximity to transit, and be built to high energy efficiency, architectural and building standards. • Council is considering increasing the funding for their AH CIP grant program per recommendations in their recent Affordable Housing Strategy and HNA (up to $3M or more). • The Affordable Housing and Redevelopment Grant can be stacked together.
Additional Affordable Residential Units Incentives (Per Door Grant)	• To jump-start affordable housing in locations that best serve the needs of the community, especially those proposed developments geared to the low and low to moderate income households, a grant of $10 per square foot of newly created affordable housing residential space to a maximum of $20,000 per affordable dwelling unit, whichever is lesser may be applied for as part of the overall incentives under the Affordable Housing Development Grant Program. • The maximum amount of incentive provided under this aspect of the program to any approved eligible property will not exceed $200,000; Paid out at the time of occupancy permit issuance.

City of Peterborough

***Table 27 –** City of Peterborough CIP and Housing Programs*

Incentive Program	Select Features
General CIP Incentives	• CIP was prepared with the provision of affordable rental housing as the top priority but states that the CIP also embraces home ownership models where affordability measures can be applied. • Parkland dedication, cash-in-lieu, and community benefits charges are also waived for new development and re-development. • Tax Increment Grant Program – an annual grant to property owners, reimbursing a portion of the municipal property tax increase resulting from increased assessment over a period of nine years
Affordable Housing CIP **Geographical Area**	• The Peterborough CIPA encompasses the area in the city with the oldest housing stock including many large, older homes that could be converted to multi-unit buildings, small industrial and warehouse space and other infill opportunities. This area was selected strategically as they are all thought to be prime candidates for affordable housing infill and conversion projects.
Rent up criteria	• The Peterborough CIP prohibits granting of the financial incentives to units rented to individuals or families at the time the housing unit was initially rented to them, if they already owned another residential property. • This clause is in place presumably to ensure that the affordable rental units are rented to those most in need of the affordable units. The onus in on the unit owner/applicant to make “all reasonable inquiries” at the time of rent up.

City of Windsor

***Table 28 –** City of Windsor CIP and Housing Programs*

Incentive Program	Select Features
Downtown Windsor Enhancement Strategy and Community	• Downtown Windsor Enhancement Strategy and Community Improvement Plan offers grants to encourage projects that will enhance downtown. Grants are offered for the conversion of existing upper storey space to new residential units, the

Improvement Plan	development of new residential units, retail enhancements, and facade improvements. • Upper Storey Residential Conversion Grant Program aimed at attracting investment converting non-residential vacant or underutilized upper storey space into residential units (min. 2). • Property owners are eligible to receive a grant of $5,000 for every new unit created in an existing mix-use building to a max of $50,000.
Building/ Property Improvement Grant Program	• The payment schedule for the Grant Program covers 5 years. Windsor City Council may approve an additional 5-year extension for projects where at least 20% of the units are affordable housing units.

City of Mississauga

Region of Peel: Funded with $7.5M in the first year and $10M in the second year. Program has secured nearly 140 affordable units with average subsidies ranging between $60,000 to $215,000 per door.

Table 29 – *City of Mississauga CIP and Housing Programs*

Incentive Program	Select Features
DRAFT Affordable Rental Housing Community Improvement Plan	• City will attempt to strike a balance between the value of incentives offered and the impact those incentives will have on the affordability of a unit. The evaluation will also consider recent legislative changes and their impact on affordable rental housing construction. • Many of the financial incentives they are considering are similar to those in other CIPs. Of note, due to recent legislative changes, they are looking at expedited application processing as a non-financial CIP incentive. • Will be using a portion of their Housing Accelerator Fund (granted December 2023) to fund the CIP grant programs.

City of Ottawa

Table 30 – *City of Ottawa CIP and Housing Programs*

Incentive Program	Select Features
DRAFT Affordable Housing CIP	• CIP proposed to encompass entire City in CIPA • Affordability is defined by units rented at or below Average Market Rent (AMR) as defined by CMHC. Units must remain affordable for 20 years. A minimum of 20% of the units in a development must be affordable and include a minimum of five affordable units. • The financial incentive proposed is a Tax Increment Equivalent Grant Program (TIEG), which would offer between $6-8,000/affordable unit per year, for 20 years. The amount of grant is dependant on the level of affordability provided, with units below 80% AMR receiving the full grant amount. • Draft CIP will have Statutory Public Meeting on April 2, and will be considered by Council following feedback received.

APPENDIX E:
CIP DEFINITIONS

Appendix E: CIP Definitions

What is Affordable Housing?

The word “affordable” is a broad term that can have varying definitions. It is often associated with rental and ownership housing, but it can be applied to the broader housing spectrum. This includes co-ownership, temporary and permanent housing. Across different levels of government and varying programs/legislation, the metric to define affordable housing may differ. This review of the City’s CIPs to increase housing supply requires the consideration of these various definitions of affordable housing to better understand the range in affordability that is mandated and to develop an appropriate definition for the London context.

The City’s Affordable Housing CIP notes three categories to consider when defining affordable housing. The City’s Affordable Housing CIP utilizes the “income security based” category for affordable housing in the CIP. The three categories are as follows:

- **Income Based:** housing that costs less than 30% of the pre-tax income for low-to-moderate income households that is used to cover housing costs. For renter households, this includes rent and any payment for utilities or other municipal services. For owner households, this includes mortgage payments, property taxes, any condominium fees, and payment for utilities or other municipal services.
- **Market Based:** housing that costs less than or equal to the “average market rent” or “average market price” of a municipality, which includes publicly run community housing (formerly known as “social housing”) such as London Middlesex Community Housing, and other housing options that are less than or equal to average market rates.
- **Income Security Based:** the range of housing for households that earn too much to qualify for “income security programs”, but do not earn enough to be able to pay market rates without paying more than 30% of their pre-tax income.

It should be noted that the City’s Municipal Housing Development uses 80% of CMHC average market rent (AMR) as the definition for affordable housing. Furthermore, **Table 31** outlines the definitions of “affordable” at the federal, provincial, and municipal level. The most common categories utilized to define affordable housing are income and market based.

Table 31 – Summary of Affordable Housing Definitions by Legislation

Legislation	Ownership	Rental
CMHC	Spending less than 30% of a household’s pre-tax income.	Spending less than 30% of a household’s pre-tax income.
Housing Accelerator Fund	Units that are intended for households whose needs are not met by the marketplace. The local definition will be used for the purpose of the HAF or in the absence thereof the provincial/territorial definition. It should be noted that the City’s Housing Needs Assessment is currently underway and will be key in understanding and defining the local housing needs.	Units that are intended for households whose needs are not met by the marketplace. The local definition will be used for the purpose of the HAF or in the absence thereof the provincial/territorial definition. It should be noted that the City’s Housing Needs Assessment is currently underway and will be key in understanding and defining the local housing needs.
Development Charges Act, 1997	The price of the residential unit is no greater than 80 percent of the average purchase price as identified in the bulletin entitled the “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin”. **NOTE:** This is not yet proclaimed by a the Lieutenant Governor and is not yet in-force and effect.	The rent is no greater than 80% of the average market rent, as determined in accordance with the bulletin entitled the “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin”. **NOTE:** This is not yet proclaimed by the Lieutenant Governor and is not yet in-force and effect.
Provincial Policy Statement, (PPS) 2020	In the case of ownership housing, the least expensive of: • Housing for which the purchase price results in annual accommodation costs which do not	In the case of rental housing, the least expensive of: • A unit for which the rent does not exceed 30 percent of the gross annual household income for low- and moderate-income households; or,

Legislation	Ownership	Rental
	exceed 30 percent of gross annual household income for low- and moderate-income households; or, • Housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area.	• A unit for which the rent is at or below the average market rent of a unit in the regional market area.
The London Plan, 2016	In the case of ownership housing, this will mean either of the following: • Housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households; or, • Housing for which the purchases price is at least 10 percent below the average purchase price of a comparable resale unit in the City of London.	In the case of rental housing, this will mean either one of the following: • A unit for which the rent does not exceed 30 percent of gross annual household income for low and moderate income households; or, • A unit for which the rent is at or below the average market rent of a unit in the City of London.
London Affordable Housing CIP, 2020	The range of housing for households that earn too much to qualify for income security programs, but do not earn enough to be able to pay average market price without paying more than 30% of their pre-tax income.	The range of housing for households that earn too much to qualify for income security programs, but do not earn enough to be able to pay average market rent without paying more than 30% of their pre-tax income.

Legislation	Ownership	Rental
Affordable Homes and Good Jobs Act, 2023	The price of the residential unit is no greater than the lesser of, • The income-based affordable purchase price for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing, and • 90 per cent of the average purchase price identified for the residential unit set out in the Affordable Residential Units bulletin For the purposes in identifying the income-based affordable purchase price applicable to a residential unit, the Minister of Municipal Affairs and Housing shall, • Determine the income of a household that, in the Minister's opinion, is at the 60th percentile of gross annual incomes for households in the applicable local municipality; and • Identify the purchase price that, in the Minister's opinion, would result in annual accommodation costs equal to 30 per cent of the income of the household referred to in clause (a).	The rent is no greater than the lesser of, • The income-based affordable rent for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing, and • The average market rent identified for the residential unit set out in the Affordable Residential units bulletin For the purposes in identifying the income-based affordable rent applicable to a residential unit, the Minister of Municipal Affairs and Housing shall, • Determine the income of a household that, in the Minister's opinion, is at the 60th percentile of gross annual incomes for renter households in the applicable local municipality; and • Identify the rent that, in the Minister's opinion, is equal to 30 per cent of the income of the household referred to in clause (a)

Legislation	Ownership	Rental
London Affordable Housing CIP, 2020 **Affordable Housing Development Loan Program**	N/A	Units must be rented below Canada Mortgage and Housing Corporation (CMHC) Average Market Rent (AMR), based on the average market rent by CMHC Rental Market Zone of the City. If recent, reliable CMHC Rental Market Zone data is unavailable (data more than 1-year old), then the City-wide AMR will be applied to the loan agreement.

The current London Affordable Housing CIP is based on the income security-based definition, which is intended to address the gap between municipal housing program eligibility and the income required to pay market rents. This definition is intended to encourage the development of housing provided by market and non-profits that costs less than or equal to the "average market" rent or price, with the expectation that the market will be generally providing these units. While this definition applies generally to London's Affordable Housing CIP, further definitions of affordability may be refined in the individual financial incentive programs.

Attainable Housing

While the Province provided for development charge exemptions for attainable residential units through Bill 23, the term "attainable housing" does not have an official definition provided by either the Provincial government or CMHC. The lack of an official definition can create confusion when discussing affordable vs attainable housing as different municipalities may treat attainable housing as interchangeable with affordable housing or may apply different standards to it entirely. Furthermore, it inhibits municipalities and housing providers in understanding how developments may qualify as attainable housing for DC exemptions and in accessing those DC exemptions.

While an official definition has yet to be introduced, to better define attainable housing for the London context, a best practices review was conducted to explore how other municipalities have defined this term. The findings are included in **Table 32** below:

Table 32 – *Attainable Housing Definitions Across Ontario*

Source	Attainable Housing Definition
Simcoe County Attainable Housing	Rental or ownership housing that is adequate in condition, appropriate in size, available, and affordable to

Supply Action Plan, 2023	households with incomes between 80% and 120% of median area income.
Addressing Barriers to Attainable Housing and Purpose-Built Rentals in Rural Ontario (ROMA), 2022	Attainable housing refers to housing that is: (1) adequate in condition (no major repairs needed), (2) appropriate in size (bedrooms appropriate for household), (3) reasonably priced (for lower and moderate-income households), and (4) available (a range of housing options).
Muskoka Housing Task Force, 2021	Attainable housing refers to housing that is: (1) adequate in condition (no major repairs needed), (2) appropriate in size (bedrooms appropriate for households), (3) affordable (costing less than 30% of before-tax income), (4) accessible to services (located in areas where common services are available), and (5) available (a range of housing types).

As demonstrated in the table above, while there are slight differences in the definition of attainable housing, each definition includes the criteria of the housing as being adequate, appropriate in size, affordable, and available. Attainable housing appears to encompass affordable housing, going beyond the sale or rental price of housing, and stressing the importance of the housing condition, size, type, and availability. The City of London is currently undertaking a Housing Needs Assessment, and is developing a definition for attainable housing that falls within the broader definition of core housing need. The City's definition should consider the type of tenant/owner that would be eligible to apply for attainable housing. This will be further quantified through the Housing Needs Assessment.

APPENDIX F: HOUSING CONTEXT OVERVIEW

City of London

CIP Review for Increasing Affordable Housing Supply: Housing Context Overview

April 2024

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Contents

1. Introduction

This Housing Context Overview was prepared for the City of London by Tim Welch Consulting Inc. as part of a broader Community Improvement Plan review for the City of London in the spring of 2024. It provides background housing and demographic data intended to inform public sector decision making around land use planning, building, and other administrative initiatives underpinning how the City's Community Improvement Plans (CIPs) affect implementation of new housing. It was completed with the goal of determining how the City's housing stock may be improved and ensuring it meets the needs of all current and future residents. It was compiled using 2021 Census data and CMHC rental market statistics.

The City of London is facing a unique set of challenges concerning its housing situation. Across the province there continues to be both an increase in population, as well as an increase in the cost of rental housing. However, in the City of London, the population has grown at almost double the provincial rate from the previous census year, while the cost of rental housing has increased by a similar rate compared to the province, around 15%, in just the past two years. These two factors mixed with demographic shifts, increased housing costs, low average incomes, and the availability of a full range of housing types are all important issues affecting the City of London's housing situation. London needs to explore a variety of options to address these intersectional challenges.

The Housing Continuum

The Housing Continuum (Figure 1) is both a model that describes the range of housing options based on income and the form of housing, from homelessness to market housing, as well as a tool to evaluate the state of housing in a community. Individuals may move along the continuum at different points in their lives based on life circumstances. This is not necessarily a linear path. Ideally, a community will have housing options available at all points on the continuum to meet the varying needs of its current and future residents. In instances where existing housing supply does not provide appropriate housing options, the Housing Continuum can be used to identify these gaps.

Factors that may influence the ability of a municipality to provide housing along the continuum include population, demand, available funding, zoning, and neighbourhood opposition.

Figure 1: The Housing Continuum

Source: CMHC

The Wheelhouse Model

Developed by the City of Kelowna, the Wheelhouse model (Figure 2 below) is an alternative way of looking at housing options where housing needs are organized circularly. While the Housing Continuum suggests a linear progression towards market homeownership, the Wheelhouse recognizes that housing needs can move in any direction depending on one's life circumstances. It also recognizes that ownership may not be an end goal nor achievable for certain individuals, and the importance of a variety of housing options for a diverse and inclusive housing system.

Figure 2: The Wheelhouse Model

Source: City of Kelowna

Affordability of housing should not come as a sacrifice to two other important functions of housing: 1) Appropriateness and 2) Safety. Appropriateness of housing is determined by having enough bedrooms for each individual in a home per the National Occupancy Standard[1]. Safe housing is housing that does not require major renovations or repairs and meets local, provincial, and federal building and public health codes.

In the demographic analysis that follows, affordability data has been compiled primarily by economic family structure as defined by Stats Canada. In statistics, a household and an economic family are distinct concepts that are used to measure and analyze different aspects of a population's structure and economic well-being.

A household refers to a group of people who live together in the same dwelling and share common living arrangements. A household can consist of one person living alone, a family group, or unrelated individuals living together. It is a broader concept that encompasses both family and non-family living arrangements. In household statistics, individuals are grouped based on their residence and living arrangements.

In contrast, an economic family, also known as a family unit, is a more specific concept that focuses on the economic interdependence of individuals living together. An economic family consists of a group of two or more individuals who live in the same household and are related to each other by blood, marriage, common-law partnership, or adoption. It includes both nuclear families (parents and their children) and extended or multi-generational families (including grandparents, aunts, uncles, etc.).

The main difference between a household and an economic family is that a household represents a broader group of people living together, regardless of their relationship or economic interdependence, while an economic family specifically focuses on related individuals living together and sharing economic resources. This is a relevant distinction in the review of the City’s housing-related CIPs because while often discussions revolve around the measure of households, Statistics Canada measures many demographics that relate to housing using economic family, including many discussed in this report.

[1] The National Occupancy Standard was created in the mid-1980s by the federal, provincial, and territorial governments. It provides a common reference point for “suitable” housing, meaning how many people a given dwelling unit might accommodate given the number of bedrooms.
The National Occupancy Standard is **not** a rule, regulation, or guideline for determining if a given dwelling unit can be rented to or occupied by a given household but rather, is used to determine housing needs and conditions at the community, regional and national levels. CMHC, “National Occupancy Standard.” *CMHC SCHL,* 19 July 2022.

2. Demographic Analysis

2.1 Population

The City of London has seen a 10% increase of population over the last census period. The population in 2016 was 383,822 and by 2021 it had reached 422,324. Compared to the Province of Ontario, London is growing at almost double the rate 10% compared to Ontario's 5.8%. This quick rate of population growth will have implications for the City's current and future housing needs.

Table 1. Reported Census Population 2016 – 2021

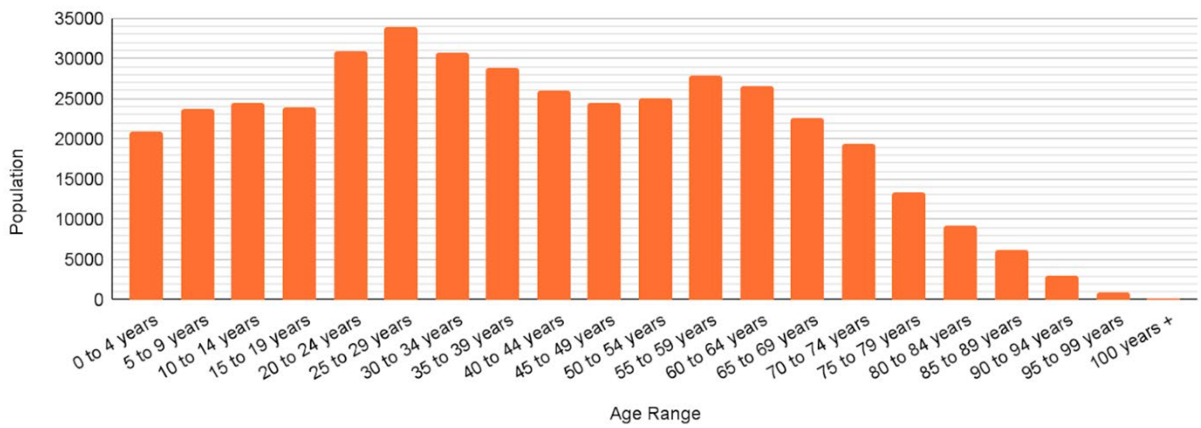
Reporting Year	2016	2021
Population	383,822	422,324
Percent Change	n/a	10%

Source: Statistics Canada 2021 Census

The City of London has a younger age profile when compared to the provincial average, with 17.8% of the population over the age of 65, compared to 18.5% for all of Ontario. London’s median age is 39, which is also lower than the provincial median average of 42 years of age.

As of the 2021 census, per Figure 3, close to a quarter of the population of London is aged 60 or above potentially pointing to a need for seniors housing, with accessibility considerations in design, as this population continues to age, which is the case throughout Ontario. However, the City of London also has a high population of younger adults with over a third (35.6%) of people between the ages of 20 and 44.

Figure 3: Age Distribution in the City of London (2021)



Source: Statistics Canada 2021 Census

2.2 Indigenous Population

The City of London has a slightly lower percentage of residents who identify as Indigenous (2.6%) than Ontario as a whole (2.9%). Table 2 has a more detailed breakdown of the Indigenous population in the City of London.

Table 2: Indigenous Population (2021)

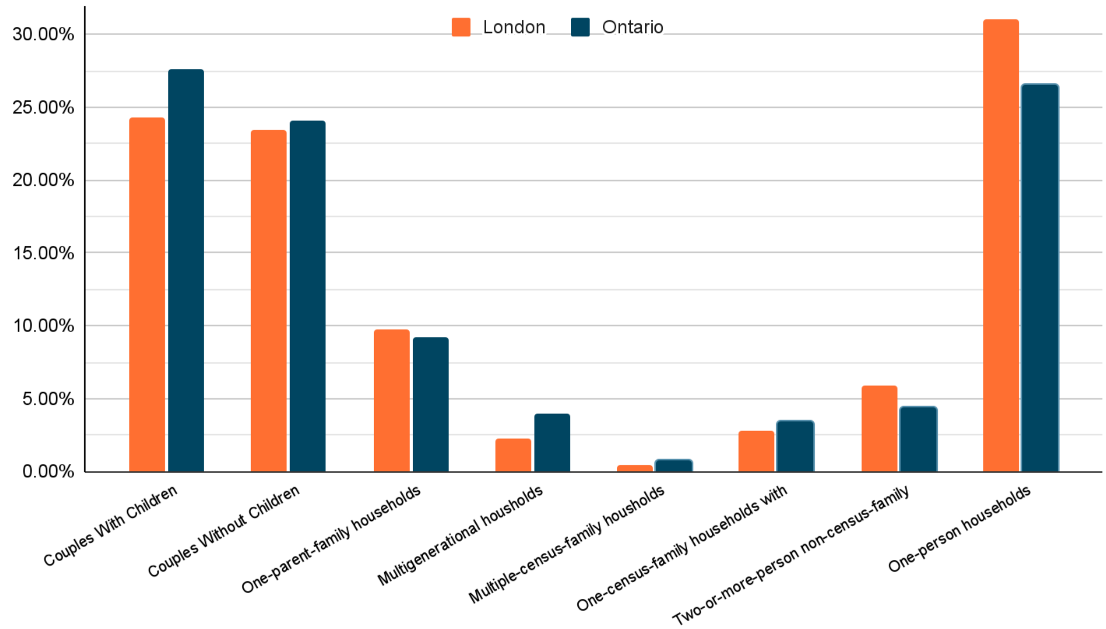
	Population with Indigenous Identity	Percentage of Population
City of London	10,955	2.6%
Ontario	406,585	2.9%

Source: Statistics Canada 2021 Census

2.3 Households

London was home to 174,660 households as of the 2021 Census. Households in London are primarily made up of one-person households (31%), couples with children (24%), couples without children (23%), and single parents with children (10%). Other non-family households and multiple-family households make up the remaining 11%. Compared to Ontario, there are fewer couple-family households, and greater one-person households and two-or-more-person non-census-family households. This household mix suggests a need for both smaller ownership houses/condos and apartments, as well as more moderate sized homes and apartments. See Figure 4 below.

Figure 4: Distribution of Household Types in London and Ontario (2021)

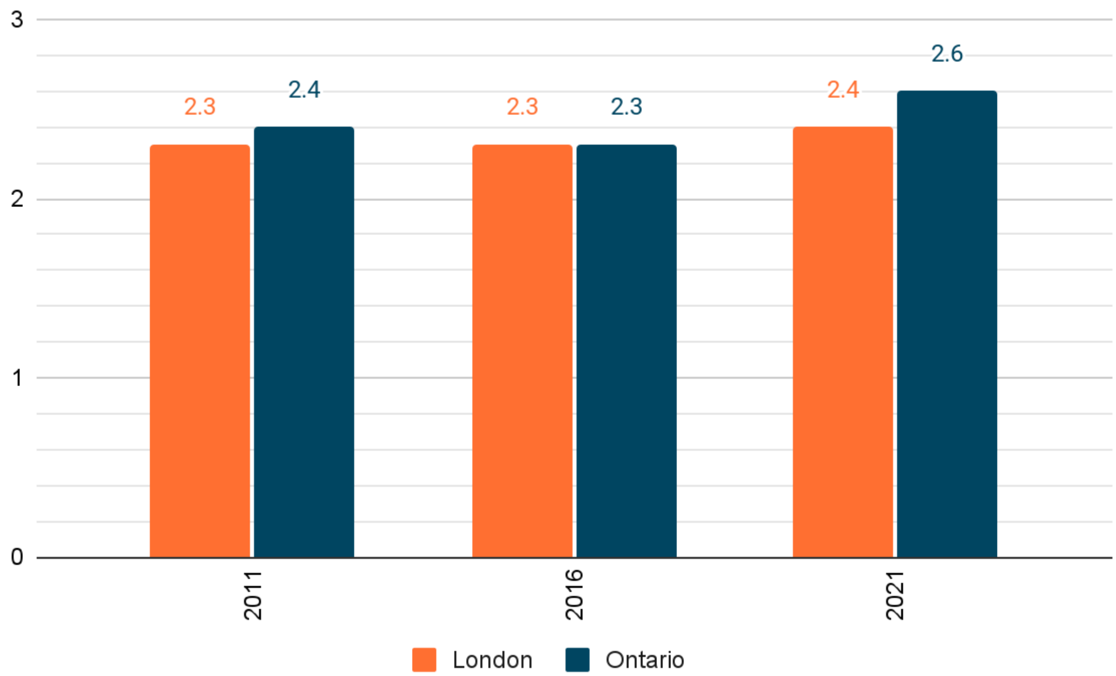


Source: Statistics Canada 2021 Census

Figure 5 below summarizes the average housing occupancy in the City of London in comparison to the provincial average over the 2011 to 2021 period. This is expressed as the average number of persons per dwelling unit (P.P.U.).[2] As shown, the P.P.U. has stayed fairly steady in London, with a minor increase from 2.3 to 2.4 between the 2016 and 2021. London's current (2021) P.P.U. of 2.4 is somewhat lower than the provincial average of 2.6.

[2] Average number of persons per unit (P.P.U.) defined as the total population divided by the number of occupied dwelling units.

Figure 5: City of London and Ontario – Average Household Occupancy (2011 to 2021)

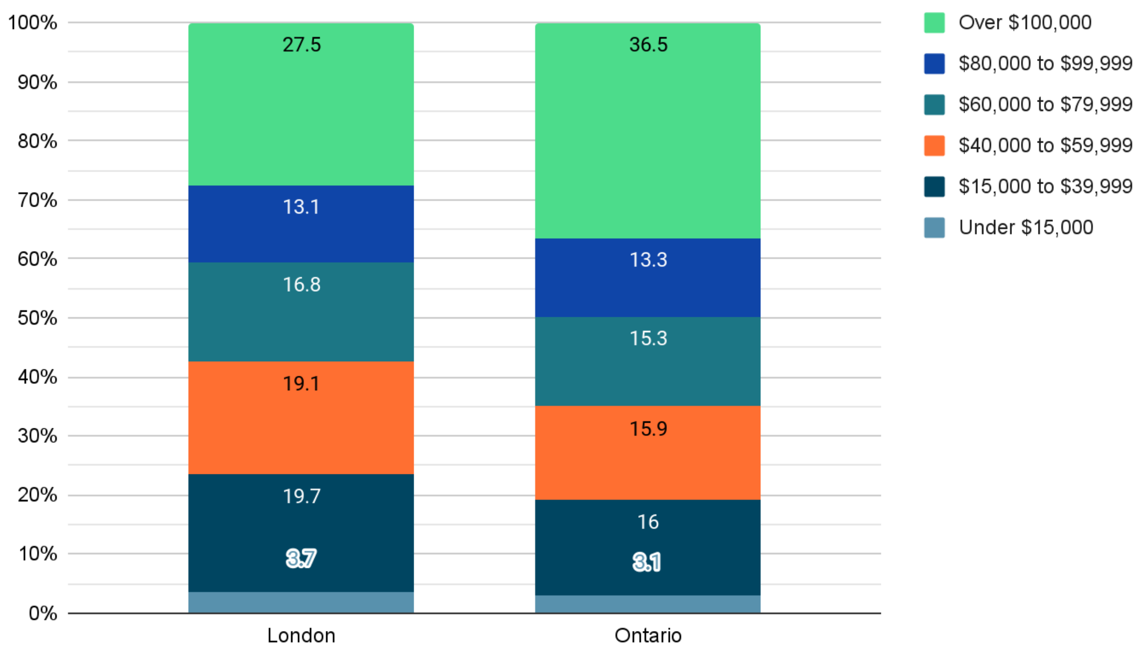


Source: 2011-2021 Statistics Canada Census data.

2.4 Income

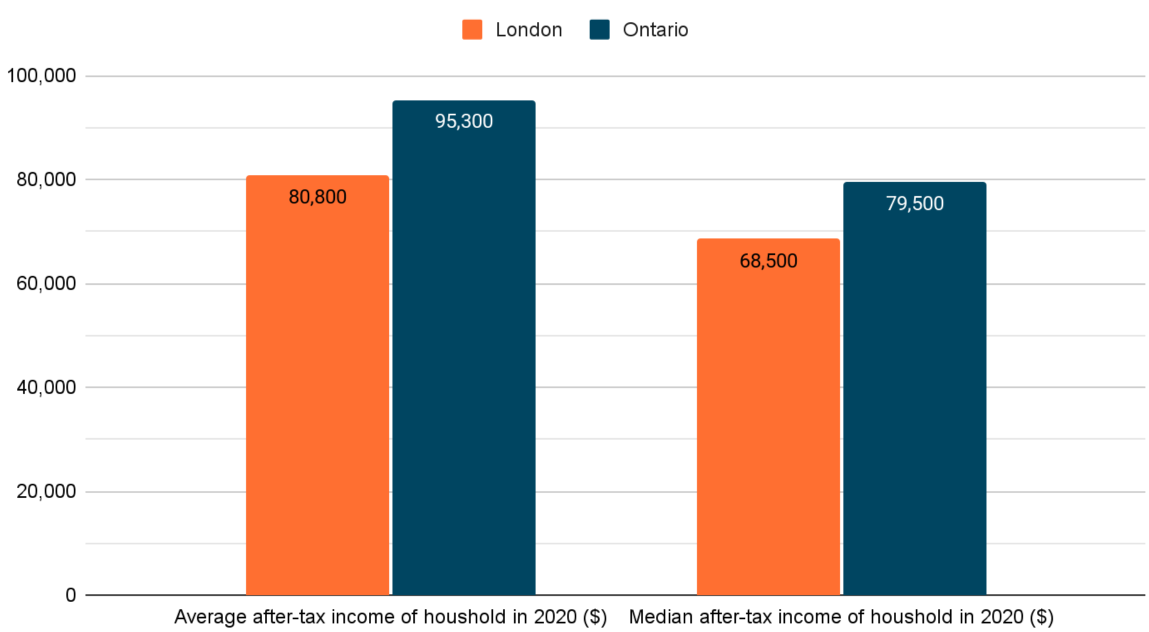
London has a noticeably higher share of lower-income households compared to the province of Ontario as a whole, with 42.5% of households earning less than $60,000 per year after tax (35% in Ontario), and 59% of households earning less than $80,000 per year after tax (50% in Ontario). Average and median household incomes are also significantly lower in London (median 2020 after-tax household income of $68,500) compared to the province as a whole (median 2020 after-tax household income of $79,500). Income as reported in census data is inclusive of government supports. Household income in the area has implications for the cost of housing that will be considered affordable.

Figure 6: Household Income Distribution (After Tax) (2020)



Source: Statistics Canada 2021 Census

Figure 7: Average and Median Household Incomes (After Tax) (2020)



Source: Statistics Canada 2021 Census

3. Housing Metrics

3.1 Current and Projected Housing Stock

As of the 2021 Census, the City of London had a total of 174,655 private dwellings. About half of the private dwellings (48.8%) are single-detached houses.

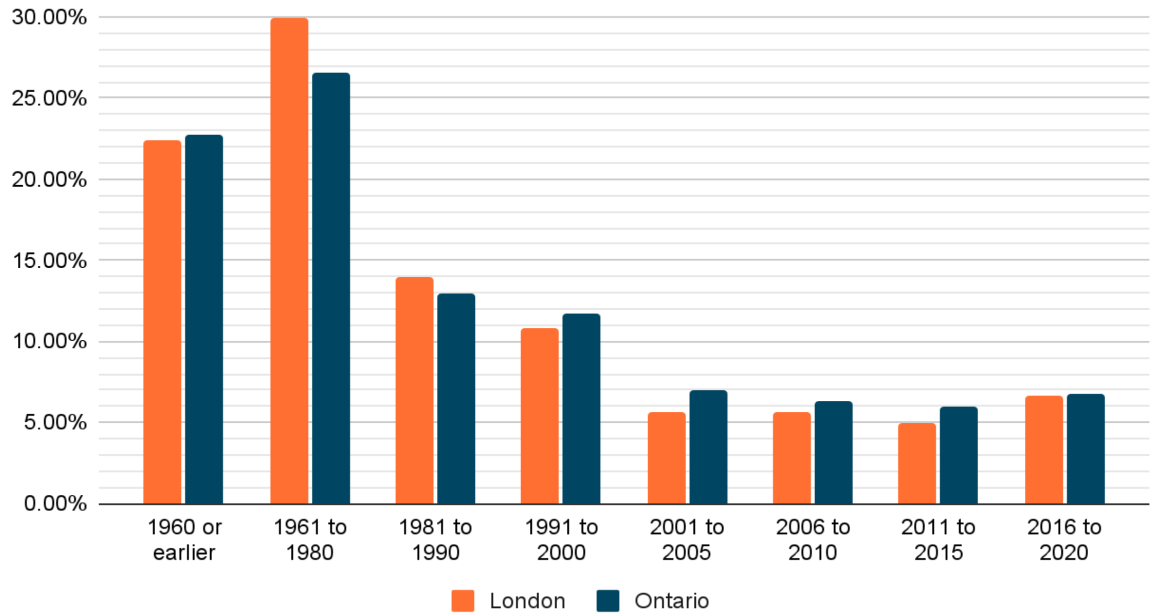
Table 3. City of London Private Dwellings

Dwelling Type	Number of Dwellings	Percentage of Total Dwellings
Single-detached house	85,275	48.8%
Semi-detached house	5,940	3.4%
Row house	23,305	13.3%
Apartment or flat in a duplex	4,470	2.6%
Apartment in a building <5 storeys	17,800	10.2%
Apartment in a building with 5+ storeys	37,550	21.5%
Other single-attached houses	160	0.1%
Movable dwelling	160	0.1%
Total	174,655	100%

Source: Statistics Canada, 2021 Census of Population.

Of the 174,655 private dwellings in London, as of 2021, 22% were estimated to be 60 years or older, with 52% estimated to be 40 years or older. This is fairly consistent when compared to the province as a whole that has 23% of dwellings 60 years or older and 49% of dwellings at least 40 years or older. London saw fewer dwellings built between 1991 and 2015 than the provincial averages but in the 5 years before the 2021 census, is seeing an increase in new dwellings being built that echoes the trends in Ontario as a whole.

Figure 8: Age of Housing Stock in London and Ontario



Source: Statistics Canada, 2021 Census of Population

3.2 Housing Tenure

Housing tenure falls under two categories – owner-occupied and tenant occupied. In the City of London in 2021, 58.1% of housing units are owner occupied and 41.9% are tenant occupied. London has a significantly higher share of renter households than the provincial average of 31%. This 41.9% share of renter households is also higher than in cities of a similar size in Ontario such as Hamilton, Markham, Vaughan, and Kitchener, and second only to Toronto in the province.

This higher percentage of renter households could be a result of several factors, some of which are covered in this report, such as lower household incomes, and increased cost of home ownership. As of the date of data collection for the 2021 Census, there were 47,643 purpose-built rental units in the City of London. The 73,100 renter households identified through Census data suggests that many renter households live in secondary rental units (e.g., rented ownership households, duplex apartments, accessory apartments, or illegal/non-registered rental spaces). All of this points to a demand for more purpose-built rental units across the spectrum.

Since 2021, the number of purpose-built rental units has decreased to 47,201. This decline in purpose built rental units is concerning, especially considering London's high percentage of renter households, as well as the existing disparity between the number of renter households versus the number of purpose-built rental units.

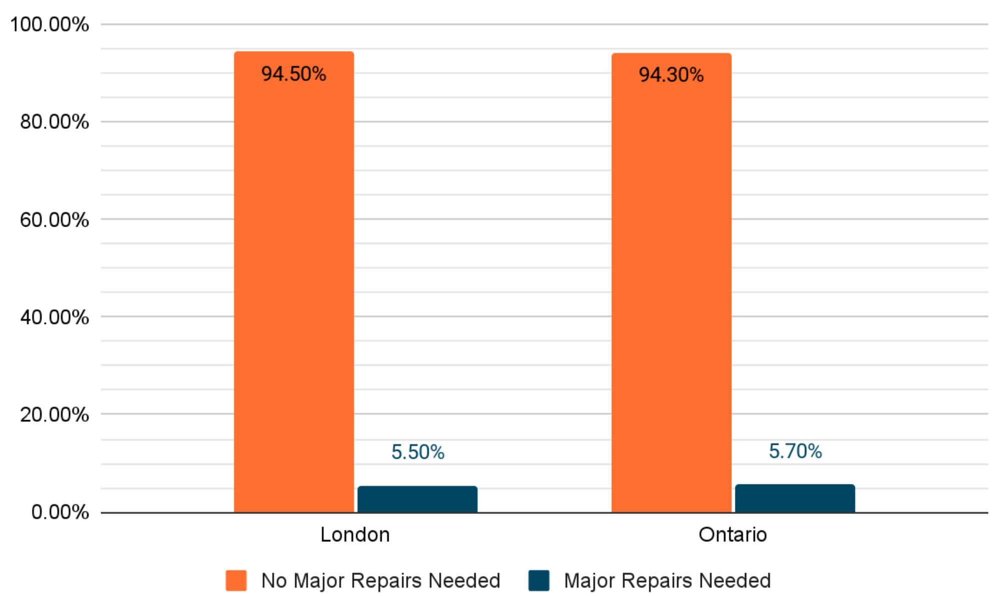
Table 4: Housing Tenure (2021)

	Number of Households – London	% of Total Households – London	Number of Households - Ontario	% of Total Households - Ontario
Ownership	101,555	58.1%	3,755,720	68.4%
Rental	73,100	41.9%	1,724,970	31.4%
Total	174,655		5,491,200	

Source: Statistics Canada 2021 Census

Figure 9 below illustrates the condition of dwelling units in London using data from the 2021 census. Of the total housing units in London as of 2021, 5.5% needed major repairs. Figure 9 shows that the share of housing units requiring major repairs in the City of London is marginally smaller than the share of dwellings needing major repairs in Ontario (5.7%).

Figure 9: City of London and Province of Ontario Percentage Share of Housing Requiring Major Repairs, 2021



Source: Statistics Canada, 2021 Census of Population

3.3 Housing Market Indicators

As of the 2021 Census, the City of London had a total of 174,655 private dwellings. Of the 174,655 dwellings, 35.1% of them are 3-bedroom units, making them the most common dwelling type. Table 5 below looks at the different dwelling types in London based on bedroom count as of 2021.

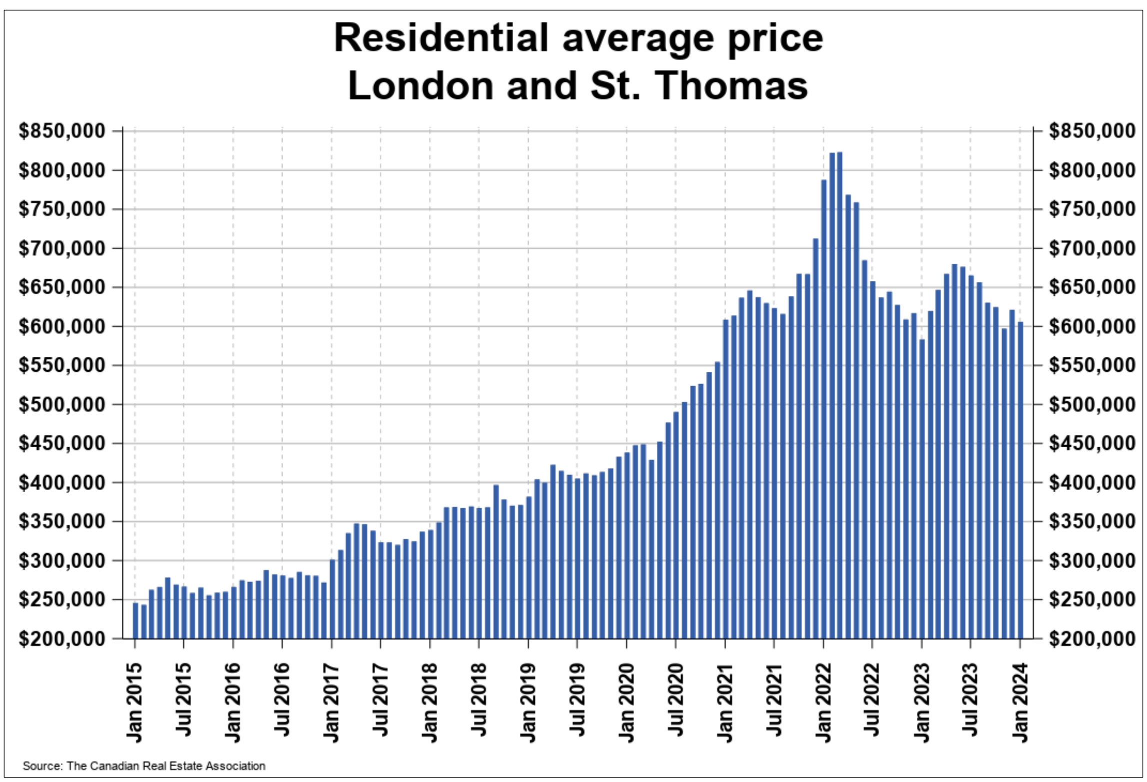
Table 5: City of London Dwellings by Number of Bedrooms 2021

	1-Bdrm. or less	2-Bdrm	3-Bdrm	4+/-Bdrm	Total
Number of Units	28,000	44,225	61,340	41,095	174,655

Source: Statistics Canada, 2021 Census of Population

Despite one person households making up 31% of all households in the City of London, the table above shows that there are disproportionately fewer one-bedroom apartments (16% of the share of private dwellings). This suggests that many one person households are over housed, that is, are living in larger or more expensive dwellings, as a matter of personal preference or a lack of available alternatives.

Figure 10: London and St. Thomas Average House Prices

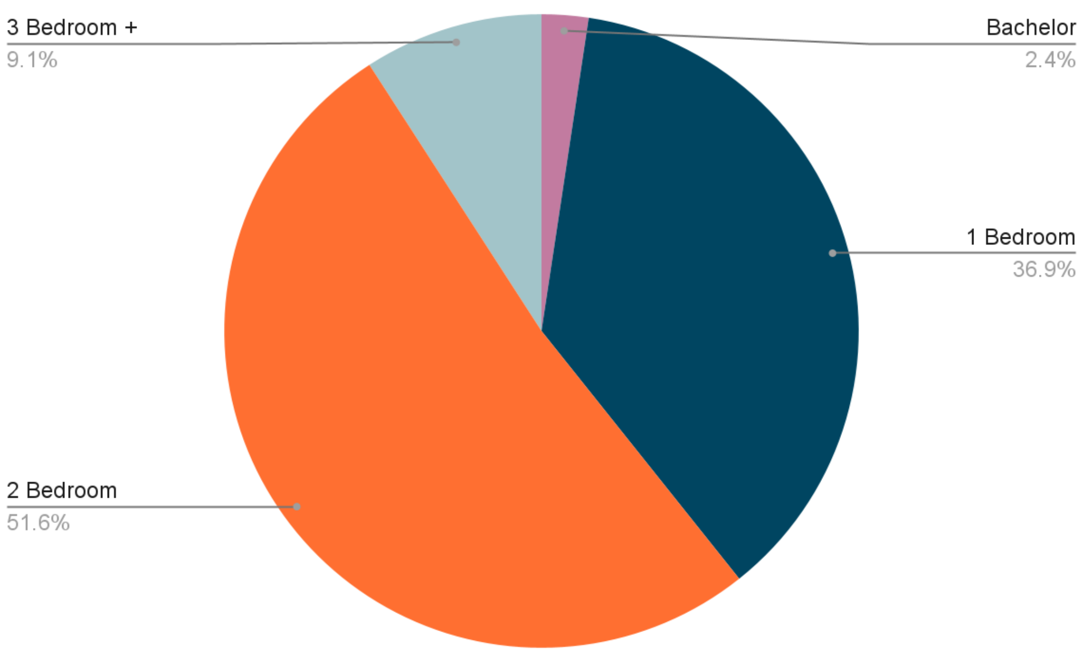


As shown in Figure 10, average house prices rose dramatically from January 2020 to spring of 2022. Prices have now dropped and leveled off, but the averages remain about 39% higher than pre-pandemic rates. An average price in January 2020 of around $450,000 would be listed for $625,000 in October 2023. With affordable ownership less attainable, there is an increased need for affordable rental options, particularly as rising interest rates mean that even with lower prices, home ownership remains unaffordable for many.

3.4 Rental: Units

The City of London had a total of 47,201 purpose-built, private apartment units, the majority of which are 2-bedroom, according to CMHC Primary Rental Market Statistics Report as of October 2023, see Figure 11.

Figure 11: London Apartments by Unit Size, 2023

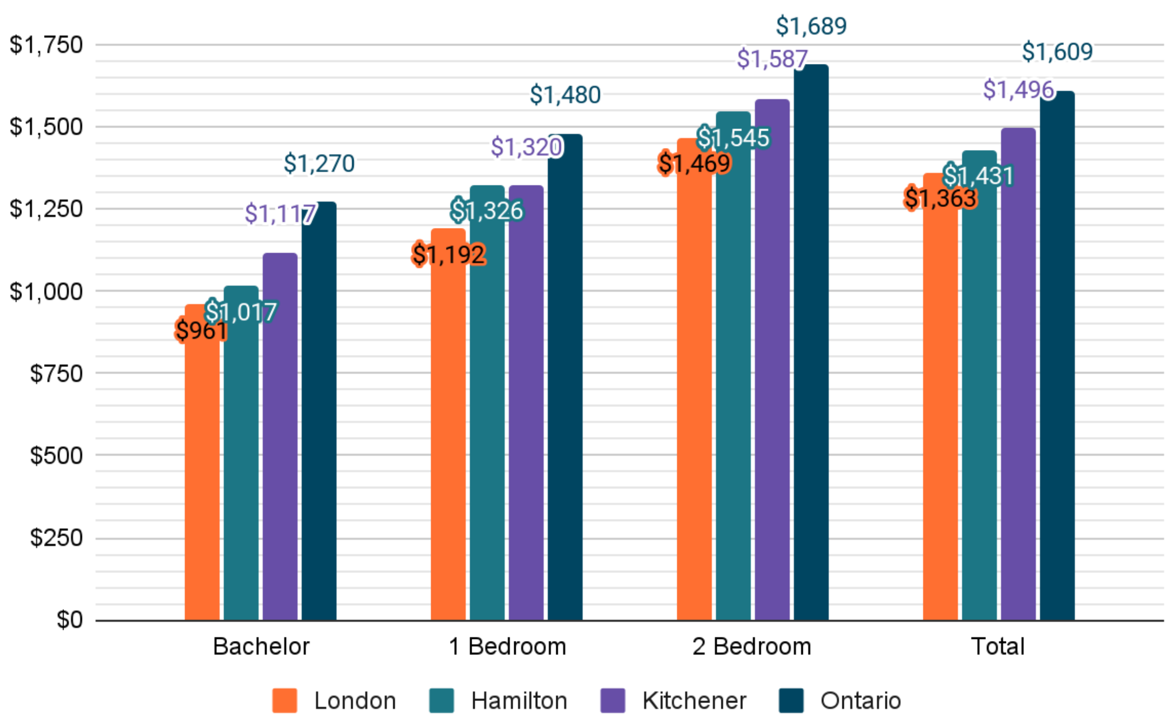


Source: CMHC Primary Rental Market Statistics

3.5 Average Rental Prices

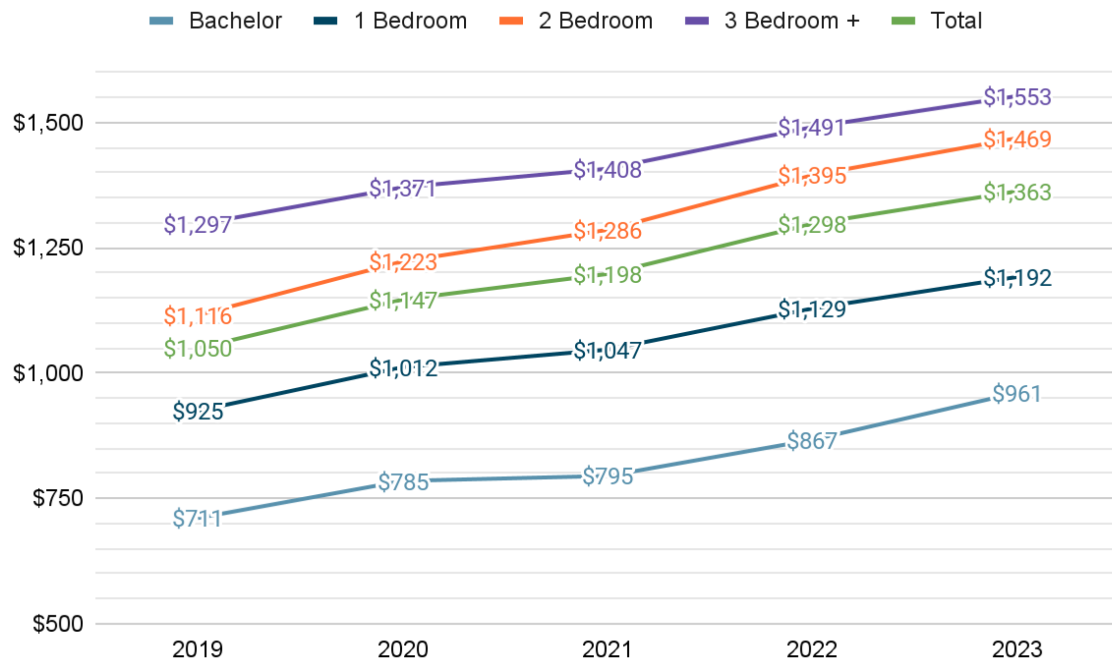
As of October 2023, CMHC reported the average price of a one-bedroom unit in London to be $1,192 per month, a two bedroom at $1,469 per month, a bachelor unit at $961 per month, and a 3 bedroom + unit at $1,553 per month. The average price for an apartment across all unit types was $1,363 in the City of London in 2023. Figure 12 compares 2023 average rental prices in London with the similar sized cities of Kitchener and Hamilton, as well as Ontario's average rents. Figures 13 and 14 show change in average rental prices, for both London and Ontario, over time across different unit types.

Figure 12: London, Kitchener, Hamilton, and Ontario Average Rental Prices by Unit Type, October 2023



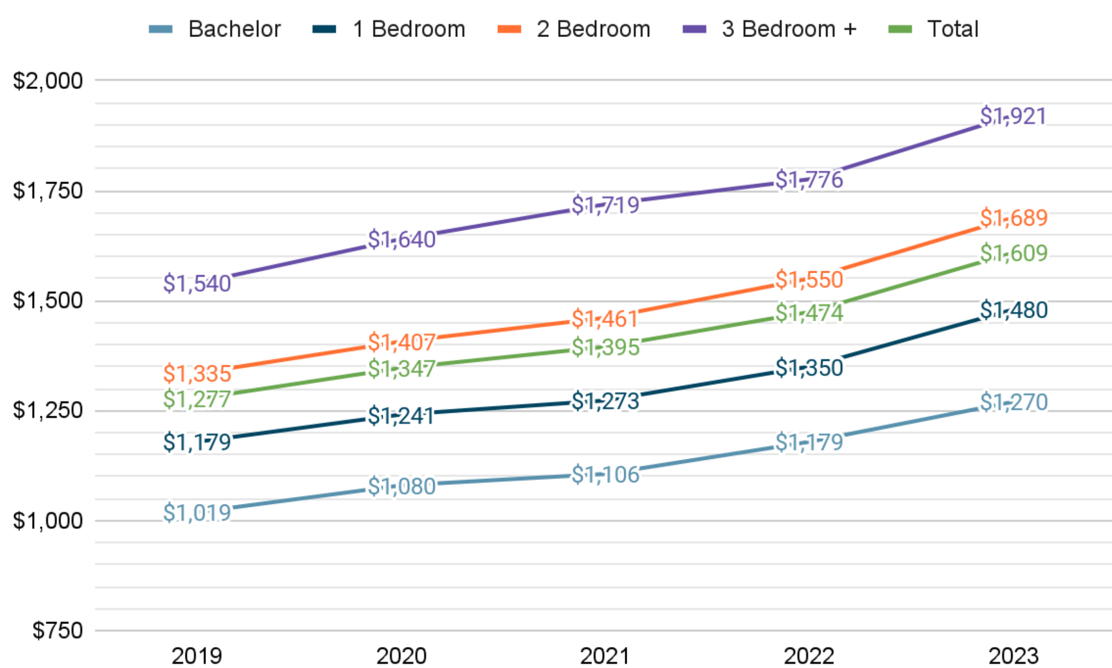
Source: CMHC Primary Rental Market Statistics

Figure 13: London Average Rental Prices by Unit Type, 2019-2023



Source: CMHC Primary Rental Market Statistics

Figure 14: Ontario Average Rental Prices by Unit Type, 2019-2023



Source: CMHC Primary Rental Market Statistics

Several key conclusions can be drawn from this data. First, London's average rents are noticeably lower than the provincial averages and the average rents of similar sized cities, with rents 5% lower than the City of Hamilton, 10% lower than the city of Kitchener, and 15% lower than Ontario, across all unit types. Another trend, both in the City of London and the province, is that the rate of increase is accelerating after a brief plateau during the pandemic, which limits housing options for many people due to unaffordability. Rents have increased almost 14% in the past two years in the City of London, and 15 % in Ontario.

It should also be noted that CMHC reports average rents, which include all occupied rental units, however these are not in line with market rental rates for those currently looking for rental units. Based on the analysis completed by the project team, and included in the project reporting, the average rent for recently constructed units is much higher – ranging from $1,570 for a studio unit to $2,660 for a three-bedroom unit. See full reporting in the Analysis of Current Market Trends.

3.6 Rental Vacancy Rates

A vacancy rate of 3% is generally considered to be an acceptable balance between supply and demand for rental housing. Vacancy rates below this can drive up rents as tenants compete for fewer units. (RBC Economics Focus on Canadian Housing September 25, 2019)

The current vacancy rate in the City of London is 1.7%, as reported by CMHC in 2023. The tables below present more data on rental vacancy rates. Table 6 shows the vacancy rates in London, and table 7 shows Ontario's vacancy rates, over the past four years. This gives us an overall picture of vacancy rates and trends in London, and how they compare to the province.

Table 6: City of London Private Apartment Vacancy Rates

	Oct-2019	Oct-2020	Oct-2021	Oct-2022	Oct-2023
Bachelor	3.1	5.1	2.2	2.5	1.4
1 Bedroom	1.9	3.6	2.1	1.5	1.5
2 Bedroom	1.7	3.3	1.8	1.6	1.8
3 Bedroom +	1.2	2.9	1.7	1.1	1.3
Total	1.8	3.4	1.9	1.5	1.7

Source: CMHC Primary Rental Market Statistics

Table 7: Ontario Private Apartment Vacancy Rates

	Oct-2019	Oct-2020	Oct-2021	Oct-2022	Oct-2023
Bachelor	2.7	5.0	6.2	2.6	1.8
1 Bedroom	2.1	3.6	4.2	1.9	1.9
2 Bedroom	1.9	2.7	2.6	1.6	1.7
3 Bedroom +	1.5	2.9	2.4	1.5	1.4
Total	2.0	3.2	3.5	1.8	1.7

Source: CMHC Primary Rental Market Statistics

Vacancy rates in the City of London followed a similar trend to the vacancy rates in the province, with a significant increase in 2020 at the height of the pandemic which then dropped again afterwards to rates below the pre-pandemic rate. Noticeable differences between London and the province are that London's vacancy rate dropped significantly in 2021, whereas Ontario's increased, and that although they both have the same current rate of 1.7, London's vacancy rate increased between 2022 and 2023, while Ontario's decreased.

4. Affordability Indicators

4.1 Core Housing Need

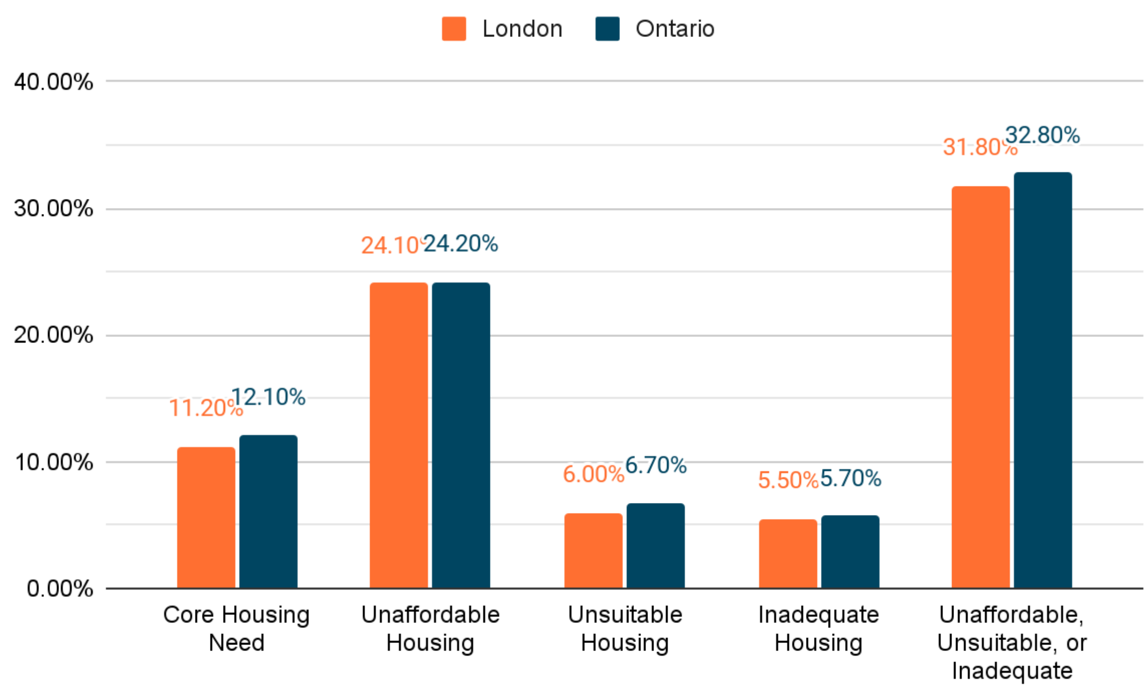
Core Housing Need is defined as households living in an unsuitable, inadequate, or unaffordable dwelling that cannot afford alternative housing in their community. It refers to whether a private household's housing falls below at least one of the indicator thresholds for housing adequacy, affordability, or suitability, and would have to spend 30% or more of its total before-tax income to pay the CMHC stated median rent of alternative local housing that is acceptable.

Unaffordable housing is defined as a household that spends more than 30% of its income on shelter costs. **Inadequate housing** is defined as a household that lives in a dwelling in need of major repairs. And **unsuitable housing** is described as a household that does not have enough bedrooms according to the National Occupancy Standard.

CMHC calculates core housing need by identifying households living in dwellings considered unsuitable, inadequate or unaffordable and then considering if income levels are such that they could not afford alternative suitable and adequate housing in their community. As of 2021, 11.2%, or 18,915 out of 169,120 owner and tenant households (*with household total income greater than zero and shelter-cost-to-income ratio less than 100%, in non-farm, non-reserve, private dwellings*) were found to be in core housing need by Statistics Canada. This is slightly lower than the 12.1% of households in core housing need in Ontario in 2021.

In addition to core housing need, it is important to look at the number of households currently living in unaffordable, inadequate, or unsuitable housing. Based on these criteria, out of the 174,655 total occupied private dwellings in the City of London, as of 2021, 55,510 (31.8%) were in unaffordable, inadequate, or unsuitable housing as defined above. This 31.8% figure can be found in the 2021 Stats Canada Census data (Figure 15), and although lower than Ontario's 32.8% rate, it points to a housing affordability crisis. The largest factor affecting the City of London's core housing need is housing affordability, as 42,015 (24.1%) households are currently spending 30% or more of their income on shelter costs.

Figure 15: Households in Core Housing Need, City of London and Ontario, 2021

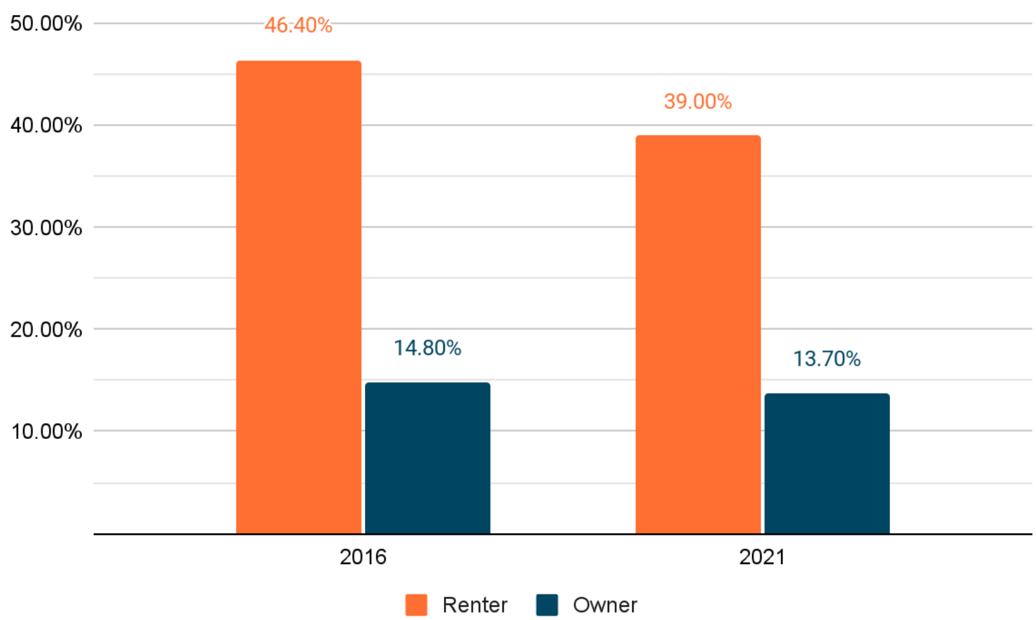


Source: Statistics Canada

There was a slight decrease in households experiencing unaffordable housing—from 27.4% to 24.1%—in the 2021 census. This is likely due to factors surrounding the COVID-19 pandemic, and the CERB financial relief program. The 2021 census reports income from the year 2020. With CERB payments having stopped in late 2020, and rental housing costs increasing at a very high rate in London from 2020 to 2023, it can be assumed that the percentage of households living in unaffordable housing and in Core Housing Need has bounced back up to 2016 levels.

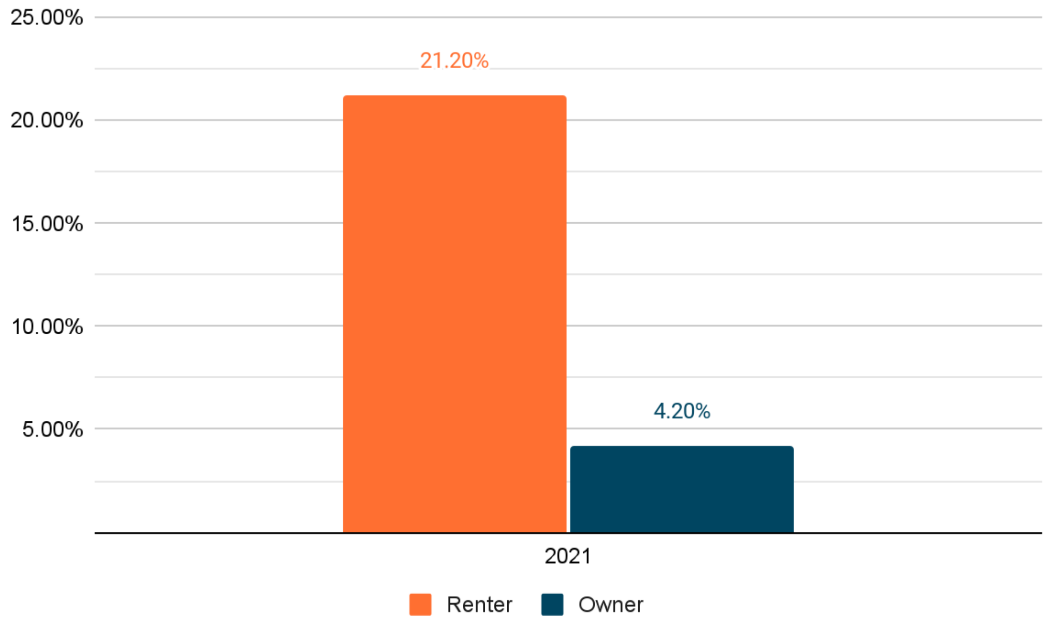
According to census data, a greater proportion of renter households in London (39%) live in unaffordable housing compared to owner households (13.7%). Looking at past census data the difference in rates of affordability between renters and owners are mostly consistent over time, with renters around three times more likely to live in unaffordable dwellings (Figure 16). This disparity between renter households and owner households is also true for core housing need. 21.2% of renter households in London were in core housing need (as defined by CMHC), compared to only 4.2% of owner households (Figure 17).

Figure 16: City of London Housing Affordability by Tenure Type, 2016 to 2021



Source: Statistics Canada

Figure 17: City of London Core Housing Need by Tenure Type, 2016 to 2021



Source: Statistics Canada

Core Housing Need also disproportionally affects different demographic groups and particular National Housing Strategy (NHS) priority populations. For example, single parent households often make up the highest percentage of households living in Core Housing Need.

4.2 Affordable Prices and Rents

Table 8 shows affordable rents for average and median incomes based on 2021 Census data using the 30% affordability threshold. An individual earning the median income could afford a monthly rent of approximately $900. Individuals earning the average income in London could afford a slightly higher monthly rent of $1,064. For couple-only economic families making the median after tax income $79,500, the affordability thresholds would be $1,988 per month in rent. For couples with children earning the median after tax income of $108,000 annually, the affordability thresholds would be $2,700 a month for rent. Lastly, the median income for single parent families residing in the City of London was $60,800. Their affordability thresholds would be $1,520 a month in rent.

Table 8: Affordable Prices and Rents Based on Average and Median Income

	2020 After Tax Income based on 2021 Census data	Affordable Rent at 30% of Income

Average Income for Individuals	$42,560	$1,064
Median Income for Individuals	$36,000	$900
Average Income for One-Person Households	$42,960	$1,074
Median Income for One-Person Households	$37,200	$930
Average Income for Two-or-more-Persons Households	$97,800	$2,445
Median Income for Two-or-more-Persons Households	$86,000	$2,150
Average Income for Couple-Only Economic Family	$89,800	$2,245
Median Income for Couple-Only Economic Family	$79,500	$1,988
Average Income for Couple-with-children Economic Family	$120,400	$3,010
Median Income for Couple-with-children Economic Family	$108,000	$2,700
Average Income for One-Parent Economic Family	$67,900	$1,698
Median Income for One-Parent Economic Family	$60,800	$1,520

Source: Statistics Canada 2021 Census

Income data from the 2021 Statistics Canada Census was utilized to calculate average and median incomes and was not adjusted for inflation, salaries have, in many instances, not kept pace with the inflationary pressures in the market and with respect to housing costs since 2020.

When compared to the cost of rents as illustrated in Section 3.5, the problem becomes apparent, specifically for individuals and one-parent families. It is also important to note that, average rents are growing at a much higher rate than incomes, creating a larger gap between, rental costs and being able to live affordably. As noted above, average market rent in London increased by 14% in between 2021 and 2023 whereas average wages in Ontario increased by only 8% between 2021 and 2023.

4.3 Ontario Works and Ontario Disability Support Program

The table below indicates the affordability of allocated shelter costs for Ontario Works (OW) and Ontario Disability Support Program (ODSP) compared to CMHC data. OW and ODSP income recipients are among the lowest income earners in the province.

One-bedroom units at CMHC's average monthly rental rate of $1,192 (a figure much lower than current market rents) are not affordable for ODSP recipients for all family sizes, but particularly out of reach for individuals. It is also important to note that based on housing standards one-bedroom units are not appropriate for single parents or couples with children, and the cost of a two-bedroom unit is even more unaffordable.

Table 9. Affordability for Ontario Works and Ontario Disability Support Program Recipients

Family Size	OW Max Housing Allowance	ODSP Max Housing Allowance	London Average Market Rent CMHC
Single	$390	$556	$1,192
Couple	$642	$875	$1,192
Single Parent - 1 Child	$642	$875	$1,469
Single Parent - 2 Children	$697	$947	$1,469
Couple - 1 Child	$697	$947	$1,469
Couple - 2 Children	$756	$1,027	$1,469

Source: Income Security Accuracy Centre and CMHC Primary Rental Market Statistics

Once again, it should be emphasized that the average market rental rates utilized in Table 9 above are conservative numbers based on CHMC data from the 2023 Primary Rental Market Statistics and are not reflective of listing rates for available accommodations advertised at the time of this report. Based on the analysis completed by the project team, and included in the project reporting, the average monthly rent for recently constructed units is much higher – ranging from $1,570 for a studio unit to $2,660 for a three-bedroom unit. See full reporting in the Analysis of Current Market Trends. This would render all of the available units deeply unaffordable for OW and ODSP recipients.

4.4 Minimum Wage

For minimum wage workers making $16.55/hour, much of the available rental stock is unaffordable. Using the average monthly rental rates, from CMHC's Rental Market Report for 2023, a one-bedroom unit would be unaffordable for individuals making minimum wage, and a two-bedroom unit would be almost double the rent level a minimum wage earner could afford (assuming 30% of income is paid for rent).

Table 10. Affordability for Persons Making Minimum Wage 2022

Type of Unit	Renfrew Average Market Rent CMHC	Minimum Wage Affordability Monthly Rent for a Single Income Household	Difference
One Bedroom	$1,192	$753	-$439
Two Bedroom	$1,469	$753	-$716

Advertised one-bedroom units renting for $1,500 to $1,800 per month and two-bedroom units renting for $1,700 to $2,500 per month at the time of this report would be unaffordable to single person households, as well as couples with or without children where both partners are making minimum wage.

4.5 Non-Market Housing

London and Middlesex Community Housing (LMCH) provides 3,282 housing units across 32 properties for more than 5,000 people. This Community Housing is subsidized (Rent geared to income), low-cost housing for households with low-to-moderate incomes. Some of the properties are located outside the City of London in Middlesex County but the table below provides more details on 22 properties located in the city.

Table 11. Non-Market Housing Operated by LMCH Located in The City of London

Building Type	Number of Units	Number of Bedrooms
Apartment	82	Bachelor, 1 and 2 bedrooms
Row Housing	5	3-5 bedroom units
Row Housing	100	3-4 bedroom units
Apartment	251	1 bedroom units
Apartment	89	1 bedroom units
Row Housing	136	3-5 bedroom units
Apartment	126	1 bedroom units
Apartment	151	Bachelor and 1 bedroom
Apartment	146	1 bedroom units
Row Housing	110	2-3 bedroom units
Apartment	212	1 bedroom units
Row Housing	160	2-5 bedroom units
Apartment	252	1 bedroom units
Apartment	109	1 bedroom units
Row Housing	81	2-4 bedroom units
Apartment	217	1 bedroom units
Row Housing	172	2-4 bedroom units
Apartment	38	Bachelor and 1 bedroom
Apartment	232	1 bedroom units
Apartment	145	1 bedroom units
Apartment	145	1 bedroom units
Apartment	70	Bachelor and 1 bedroom

Source: London Middlesex Community Housing

The City of London's website[3] states that wait-times for community housing are lengthy because there is a high demand for community housing in London. Wait-time can depend on many different factors including application date, urgent status, how many building selections, types of buildings chosen, vacancy rates, unit size, etc. The city also states that it takes several years in most cases for community housing to become available, and in some cases, households have waited for longer than 10 years for housing.

[3] https://london.ca/living-london/community-services/homeless-prevention-housing/community-housing

4.6 Homelessness & Shelter Services

The transient and often hidden nature of homelessness is such that it is difficult to capture the total number of people experiencing homelessness at any given time. One of the best methods of determining the extent of homelessness in a community is through Point-In-Time (PiT) Counts. PiT Counts are a measure of sheltered and unsheltered homelessness on a specific day.

The City of London conducted a Point-in-Time Count in 2018. From that count 406 individuals were experiencing homelessness. However, it is estimated that there are now up to 2,100 individuals experiencing homelessness in January of 2024 according to city staff as reported by The London Free Press.

This dramatic increase will have no doubt impacted the existing shelter services available in the City of London. There are five existing shelters within the city, some offering supports to everyone experiencing homelessness, and others targeting certain vulnerable populations. There are also several drop-in centres and other services available to people experiencing homelessness in London. Despite this was reported that about 305 people were living without any shelter or services at all in November of 2023, and there were an estimated 103 homeless encampments reported in the city. The City of London is proposing to take additional steps to help with the increasing number of people experiencing homelessness, including 10-15 Homeless Hubs proposed throughout the city.

APPENDIX G: AFFORDABLE HOUSING GAP ANALYSIS

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Affordable Housing Gap Analysis

1.0 Purpose

The purpose of this memorandum is to answer two questions:

1. What is the financial "gap" associated with providing affordable rental housing[1] in the City of London for both For-Profit and Non-Profit homebuilders?

2. How could up-take of the current Downtown Combined Residential Development Charge and Tax Grant Program (the "Downtown DC and Grant Program") change if there was a requirement that a portion of units in the building must be leased at affordable monthly rent?

We have addressed these questions through the use of a development pro forma for a prototypical rental apartment building in the City of London. The use of this financial feasibility approach is intended to help identify the financial "gap" between leasing a unit at market rent versus affordable monthly rent. By understanding this "gap", it provides the city with information to help structure incentives that could increase uptake of its Affordable Housing Community Improvement Plan ("CIP").

Our detailed methodology and results are summarized in the following sections of this memorandum.

[1] For the purposes of this analysis, affordable housing is defined at a rental apartment unit that is leased at 100% of average market rent, as reported by the Canada Mortgage and Housing Corporation ("CMHC") for the City of London. For non-profit housing, to be eligible for the CMHC Affordable Housing Fund, we have also assumed that 40% of units are leased at 70% of average market rent, as reported by CMHC for the City of London.

2.0 Baseline Assumptions

While no two developments, or developers, are the same, it is necessary to make a series of generalized assumptions in preparing a baseline financial feasibility analysis. The following sections summarize the baseline assumptions used in our financial analysis, including:

- Built Form;
- Development Timeline and Financing;
- Revenue and Operating Expenses; and,
- Development Costs.

2.1 Built-form of a Prototypical Rental Apartment Development

As part of this analysis, we have prepared a prototypical purpose-built rental apartment development (both Non-Profit and For-Profit). Our assumptions regarding site area, density, number of units, unit mix, unit size and parking are summarized in Figure 2.1 and based on recent applications, as well as recently completed purpose-built rental apartment buildings for both Non-Profit and For-Profit homebuilders.

In completing this analysis, we have also considered two geographies: Downtown and Outside Downtown ("Outer"). The purpose of evaluating these two locations is related, in part, to incentives that are currently available in Downtown London, as well as differences in density and land values.

We have assumed lower parking ratios in Downtown locations, in comparison to Outside Downtown locations, due to the availability of transit in Downtown London. We have also assumed that parking will be constructed above-grade in Downtown locations to help with financial feasibility. In the Outside Downtown locations, we have assumed a mix of surface and above grade parking.

Each of these assumptions regarding the built-form of the prototypical rental apartment development has been confirmed with City staff, as well as with the development community though market sounding interviews.

Figure 2.1

Prototypical Development Assumptions

SITE & BUILDING	Outer		Downtown	
	Non-Profit	*For-Profit*	*Non-Profit*	*For-Profit*
Site Stats				
Site Area	0.40 ha	1.00 ha	0.20 ha	0.60 ha
Density	200 uph	170 uph	400 uph	650 uph
Unit Mix				
Number of Units	80 units	170 units	80 units	390 units
Studio	3%	0%	3%	0%
One-Bedroom	65%	50%	65%	50%
Two-Bedroom	30%	45%	30%	45%
Three-Bedroom	2%	5%	2%	5%
Unit Size				
Avg. Unit Size	627 sqft	1,008 sqft	627 sqft	1,008 sqft
Studio	350 sqft	0 sqft	350 sqft	0 sqft
One-Bedroom	550 sqft	800 sqft	550 sqft	800 sqft
Two-Bedroom	800 sqft	1,200 sqft	800 sqft	1,200 sqft
Three-Bedroom	950 sqft	1,350 sqft	950 sqft	1,350 sqft
Parking				
Parking Space Per Unit	1.00 / unit	1.25 / unit	0.50 / unit	1.00 / unit
Surface Parking	80 space(s)	113 space(s)	0 space(s)	0 space(s)
Above Grade Parking	0 space(s)	100 space(s)	40 space(s)	390 space(s)
Below Grade Parking	0 space(s)	0 space(s)	0 space(s)	0 space(s)

Source: Parcel Economics Inc.

2.2 Timeline and Financing

Figure 2.2 summarizes the development timeline and financing assumptions used in our analysis. As shown, we have assumed a consistent entitlement period across all built-forms and geographies. For construction and lease-up, we have assumed a slightly longer period in the For-Profit development scenario to reflect these buildings having a larger number of units in comparison to the Non-Profit prototypical development.

For the construction loan and permanent debt, we have assumed that Non-Profit developments utilize the CMHC Affordable Housing Fund, which offers lower interest rates. In the For-Profit development scenario, we have assumed interest rates that are slightly below the current interest rate environment. We have also assumed a 5.5% capitalization rate in valuing the building for property tax purposes, as well as for the sale of the building.

Figure 2.2

Timeline and Financing Assumptions

TIMELINE & FINANCING	Outer		Downtown	
	Non-Profit	*For-Profit*	*Non-Profit*	*For-Profit*
Timeline				
Entitlement	18 mths	18 mths	18 mths	18 mths
Construction	18 mths	24 mths	18 mths	30 mths
Lease Up	3 mths	8 mths	3 mths	12 mths
Construction Loan	3.5%	8.0%	3.5%	8.0%
Permanent Debt Rate	3.5%	5.5%	3.5%	5.5%
Capitalization Rate	5.0%	5.5%	5.0%	5.5%

Source: Parcel Economics Inc.

2.3 Revenue and Expenses

In the Non-Profit scenario, we have assumed that the development would be eligible for funding under the CMHC Affordable Housing Fund. This would require 40% of units in the building to be leased at 70% Average Monthly Rent ("AMR"), as reported by CMHC for the City of London. The remaining 60% of units are assumed to be leased at 100% AMR, as reported by CMHC for the City of London. The For-Profit market rent assumptions are based on a review of recently completed purpose-built rental apartment buildings in London, as well as confirmed through market sounding interviews with homebuilders in London.

Figure 2.3

Monthly Rent by Unit Type

REVENUES		Monthly Rent	
	70% AMR	100% AMR	Market Rent
Studio	$673	$961	$1,700
One-Bedroom	$834	$1,192	$2,000
Two-Bedroom	$1,028	$1,469	$2,400
Three-Bedroom	$1,087	$1,553	$2,500

Source: Parcel Economics Inc.

In both the Non-Profit and For-Profit scenarios, we have assumed 5% growth in AMR between the date of purchase of the land and lease-up (between 3 and 4 years, depending on the prototypical development). After lease-up, we have assumed rent growth of 2% per year. We have assumed a monthly fee for parking for both Non-Profit and For-Profit developments based on a review of recently completed purpose-built rental apartment buildings and industry standards.

Operating expenses are assumed to be 45% of Effective Gross Revenue ("EGR") for the Non-Profit development scenario, where EGR is defined as total potential revenue from the building with an allowance for vacancy and bad debt. In the For-Profit development, we have assumed that operating expenses are 35% of EGR. The higher share of operating expenses in the Non-Profit development is a result of total revenue being lower in a Non-Profit development, while some of the expenses will be the same between a Non-Profit and a For-Profit development.

2.4 Development Costs

Figure 2.4 summarizes the development costs used in our analysis. The land costs are based on a variety of sources, including recent land sale transactions, the land costs assumed in the *London Inclusionary Zoning Assessment Report: Preliminary Findings and Direction*, January 2022, as prepared by N. Barry Lyon Consultants Limited, and market sounding interviews.

We have assumed a **land value** of $4.8 million per hectare in the Outside Downtown geography for both the For-Profit and Non-Profit development. In the Downtown, we have assumed a For-Profit land cost of $17.4 million per hectare, while we have assumed a Non-Profit land cost of $9.6 million per hectare in the Downtown.

For both For-Profit and Non-Profit developments, we have assumed **hard construction costs** of $280 per square foot. This is based on market sounding interviews with both For-Profit and Non-Profit homebuilders based on their experience with recent construction tenders. To put this in perspective, this is at the low end of the hard construction cost range as reported in the *Altus Group 2024 Construction Cost Guide* for new apartment buildings in the Greater Toronto Area.

Soft costs include municipal fees such as development charges, parkland dedication charges, building permits and other application fees administered by the City. We have not included development charges or parkland dedication charges for the Non-Profit development, as Non-Profit developers are exempt from paying these fees in the Development Charges Act and Planning Act. In the Downtown geography, we have assumed that For-Profit homebuilders utilize the Downtown DC and Grant Program, while Non-Profit homebuilders would utilize the tax grant portion of the Downtown DC and Grant Program.

Other soft costs include items such as architecture and engineering fees, legal fees, construction management fees, development fees and a contingency. All of these fees are based on a percentage of hard construction costs or total costs.

Figure 2.4

Development Cost Assumptions

DEVELOPMENT COSTS	Outer		Downtown	
	Non-Profit	*For-Profit*	*Non-Profit*	*For-Profit*
Land Costs				
	$4.8M per ha		$9.6M per ha	$17.4M per ha
Hard Costs				
Construction Costs	$280 psf			
Surface Parking	$6,000 per space			
Above Grade Parking	$50,000 per space			
Cost Growth	5% annually			
Soft Costs				
	Based on current municipal fees and industry benchmarks			

Source: Parcel Economics Inc.

3.0 Financial Gap Analysis

In determining the financial "gap" associated with building affordable rental apartment units, we have started with preparing a baseline pro forma analysis for the four following development typologies:

1. Downtown For-Profit (including Downtown DC & Grant Program)

2. Downtown Non-Profit

3. Outside Downtown For-Profit

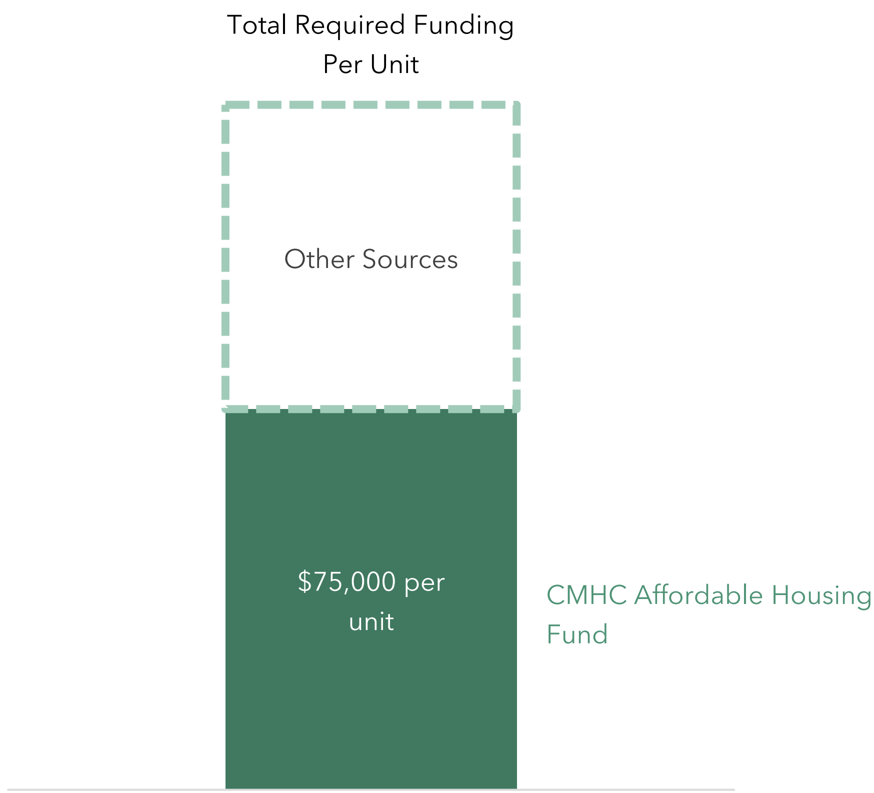
4. Outside Downtown Non-Profit

These pro forma models were used to determine the baseline financial feasibility (i.e., without additional funding or affordability requirements) of each development typology and have established a starting point from which to quantify any financial "gap" in providing affordable housing in London and how a CIP may help address some of this "gap". We outline our differing approaches to evaluating the financial gap for Non-Profit buildings and For-Profit buildings below.

3.0.1 Non-Profit Feasibility Approach

In the Non-Profit development scenario, we have determined the amount of project funding that would be required to achieve a 1.1 debt coverage ratio ("DCR").[2] While the CMHC Affordable Housing Fund allows for a DCR no lower than 1.0, we have utilized a DCR of 1.1 to be slightly more conservative. A portion of the funding for the development will be procured through existing grant programs, including the CMHC Affordable Housing Fund and the City of London Roadmap to 3,000 units. We have assumed that the prototypical Non-Profit development receives a $75,000 per unit grant under the CMHC Affordable Housing Fund. We note that in addition to the CMHC Affordable Housing Fund, the City of London Roadmap to 3,000 units could provide a grant of up to $45,000 per unit in additional funding. Any remaining funding required to achieve a 1.1 DCR must be made up through other sources, which could include the City of London Affordable Housing CIP.

[2] Debt Coverage Ratio is calculated by dividing net operating income by debt service costs.



3.0.2 For-Profit Feasibility Approach

In the For-Profit development scenario, we first calculated the financial return metrics for a Downtown and Outside Downtown buildings with market rents only based on the rents in Figure 2.3 (i.e., the "baseline"). These financial return metrics include: The financial return metrics considered in our analysis include:

1. **Net Profit / (Loss)**

   The total amount of money made (or lost) over the course of a project.

2. **Internal Rate of Return (IRR)**

   The expected compound annual return (%) over the course of the project.

3. **Equity Multiplier (EMx)**

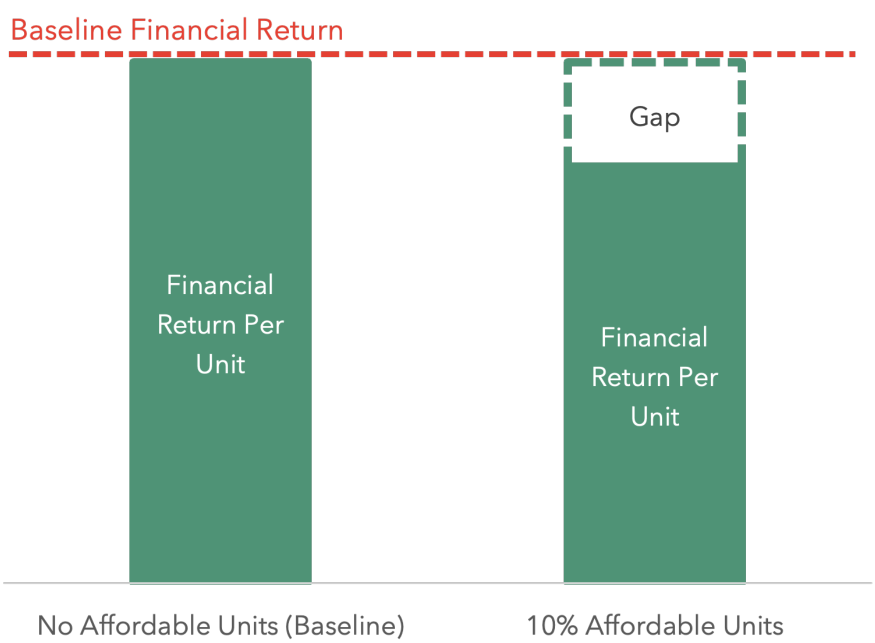
   The number of times a project's original equity investment is returned to investors.

4. **Yield (Cash-on-Cash)**

The cash flow after financing (%) generated by the equity invested to date. It does not consider the value of the building or any appreciation of value over time. Yield is sometimes referred to as "cash-on-cash".

As previously mentioned, it is important to note that not all developers are alike and **there is no single return metric that signifies a financially viable project.** Each developer looks at a unique subset of variables and return metrics under different conditions based on their own requirements and/or expectations.

Following establishing the baseline return metrics, we then prepared pro forma models for the Downtown and Outside Downtown scenarios with 10% of units leased at affordable monthly rent. We then compared the return metrics in the pro forma model with affordable units to the financial returns in our baseline model. As the financial returns are lower in the pro forma model with affordable units, we have determined the financial gap per affordable unit that would result in the return metrics matching the baseline scenario.



3.1 Non-Profit Analysis

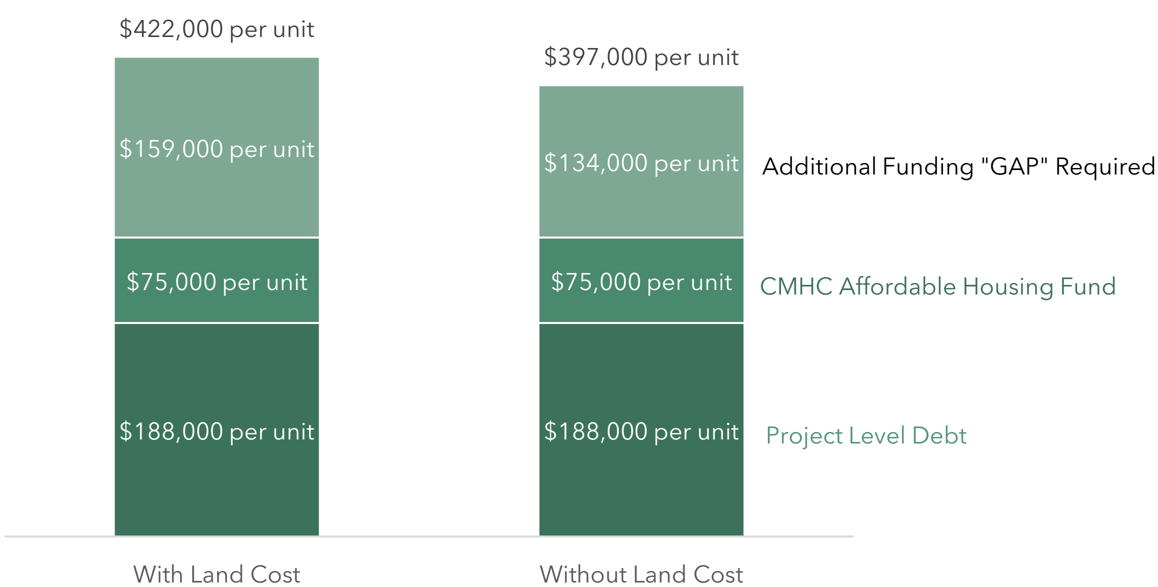
3.1.1 Downtown Development Scenario

The total development costs for an 80-unit non-profit building located in Downtown London is estimated at $33.7 million, or $422,000 per unit. To achieve a DCR of 1.1, the prototypical Downtown Non-Profit building could carry approximately $15.0 million debt ($188,000 per unit). The remaining funding of approximately $18.7 million would need to be funded through other sources. A portion of this funding requirement would be addressed through the CMHC Affordable Housing Fund, which would contribute $6.0 million, or $75,000 per unit. **This would result in a "gap" of $159,000 per unit**, or $12.7 million total for the 80-unit building, which would need to be addressed through other programs, including the London Affordable Housing CIP and the London Roadmap to 3,000 units.

If we assume no land costs for a Downtown Non-Profit development, the funding shortfall, after assuming grants from CMHC, would be $134,000 per unit, or $10.7 million total for the 80-unit building.

Figure 3.1

Funding Per Unit for Non-Profit Downtown Rental Building



Source: Parcel Economics Inc.

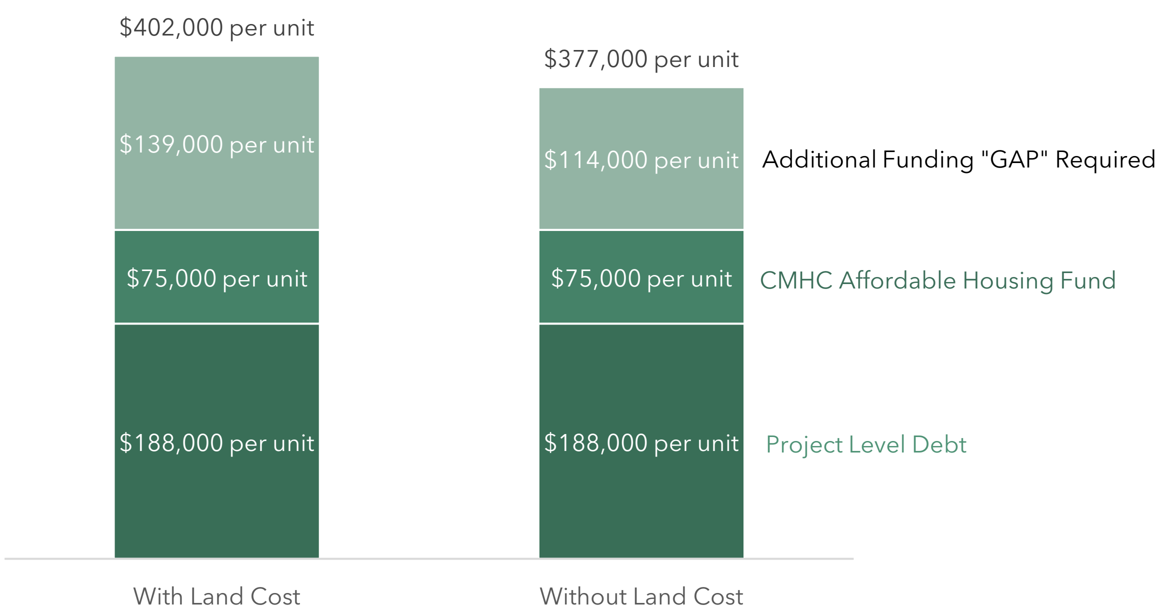
3.1.2 Outside Downtown Development Scenario

The total development costs for an 80-unit non-profit building located in Downtown London is estimated at $32.1 million, or $402,000 per unit. To achieve a DCR of 1.1, the prototypical Downtown Non-Profit building could carry approximately $15.0 million debt ($188,000 per unit). The remaining funding of approximately $17.1 million would need to be funded through other sources. After taking into consideration $6.0 million from CMHC, the **funding "gap" would be $139,000 per unit**, or $11.1 million total for the 80-unit building.

If we assume no land cost for an Outside Downtown Non-Profit development, the funding shortfall, after assuming grants from CMHC, would be $114,000 per unit, or $9.1 million total for the 80-unit building.

Figure 3.2

Funding Per Unit for Non-Profit Outside Downtown Rental Building



Source: Parcel Economics Inc.

3.2 For-Profit Analysis

3.2.1 Downtown Development Scenario

Figure 3.3 summarizes the baseline return metrics for a For-Profit 390-unit prototypical development in the Downtown where units are leased at the market rent identified previously in Figure 2.3. We note that based on our experience some of these return metrics, including IRR and EMx are lower than a developer would typically expect for these types of developments.

As shown, assuming 10% of units (40 units) are leased at affordable monthly rent (100% AMR), all return metrics decline below the baseline scenario. As part of this pro forma analysis, we have excluded the cost for development charges for units leased at 100% AMR. This is based on the Development Charges Act, which states that units leased at 100% AMR are exempt from paying development charges.

It would take an upfront grant of $9.5 million or **$237,500 per affordable unit** to achieve similar return metrics to the baseline scenario. To put this in perspective, this gap is about 70% higher than the gap for a Non-Profit development. The difference in the "gap" between For-Profit and Non-Profit development is a result of a number of factors. For example, For-Profit developments pay development charges (albeit it in the Downtown example, they are granted back over approximately 15 years) and parkland dedication fees. We have also assumed that For-Profit developments would not apply for the CMHC MLI Select program, which has lower interest rates on construction loans and permanent debt. If these factors are taken into consideration, the "gap" between For-Profit and Non-Profit begins to narrow.

Figure 3.3

Downtown For-Profit Rental Apartment Building Return Metrics

Scenario	Profit	IRR	EMx	Yield (Yr 1)
Baseline	$ 231,695,405	3.8%	2.73x	1.3%
10% Affordable Units (40 units)	$ 210,871,756	3.5%	2.54x	1.2%
10% Affordable Units and $9.5M Grant	$ 220,371,756	3.8%	2.73x	1.3%

Source: Parcel Economics Inc.

3.2.2 Outside Downtown Development Scenario

We have completed the same analysis for a For-Profit 170-unit rental apartment building Outside Downtown. The return metrics for a For-Profit building are similar to the return metrics for a Downtown building that utilizes the Downtown DC and Grant Program.

As shown, if we assume that 10% of units in the building (18 units) are leased at affordable monthly rent (100% AMR), all return metrics decline below the baseline scenario. It would take an upfront grant of $4.0 million or **$222,200 per affordable unit** to achieve similar return metrics to the baseline scenario. To put this in perspective, this equates to a "gap" of $23,500 per unit for all 170 units in the building. This is similar to the current development charge rate for apartment units in the City. Therefore, exempting development charges for all units in the building could incentivize a For-Profit developer to include 10% of units as affordable in a new rental apartment building.

Figure 3.4

Outside Downtown For-Profit Apartment Building Return Metrics

Scenario	Profit	IRR	EMx	Yield (Yr 1)
Baseline	$ 93,429,273	3.7%	2.76x	2.2%
10% Affordable Units (18 units)	$ 84,949,820	3.4%	2.57x	2.0%
10% Affordable Units and $4.0M Grant	$ 88,949,820	3.7%	2.77x	2.1%

Source: Parcel Economics Inc.

4.0 Downtown DC and Grant Program

The City of London currently has two programs to incentivize the rehabilitation and redevelopment of residential buildings in the core:

- Downtown DC and Grant Program administered through the Downtown Community Improvement Plan; and,
- Rehabilitation Tax Grant Program.

The purpose of these programs are to assist Downtown property owners by providing a grant that covers 100% of the residential development charges and/or a portion of the municipal tax increase. Under the Downtown DC and Grant Program, the grant amount is based upon the value of the net residential development charges paid to the City at the time of building permit application and the increase in the municipal portion of property taxes. The Rehabilitation Tax Grant Program covers a portion of the increase in the municipal portion of property taxes.

Figure 4.1 summarizes how the grants are calculated for vacant or cleared land in the Downtown. As shown, for the first 10 years after re-assessment by MPAC, the new development would receive a grant in the following year equal to 100% of the incremental increase in municipal property taxes. This grant could extend beyond the 10-year period if development charges are not fully re-paid in this period.

Figure 4.1

Downtown DC and Grant Program Schedule

	Tax Increment Grant	Development Charge Grant	Total Grant
Year 1	60%	40%	100%
Year 2	60%	40%	100%
Year 3	50%	50%	100%
Year 4	40%	60%	100%
Year 5	30%	70%	100%
Year 6	20%	80%	100%
Year 7	10%	90%	100%
Year 8	10%	90%	100%
Year 9	10%	90%	100%
Year 10	10%	90%	100%

It is our understanding there have been recent discussions around adding a requirement that a portion of units in the building must be affordable to be eligible for these programs. City staff are interested in understanding how this change could impact up-take of the program.

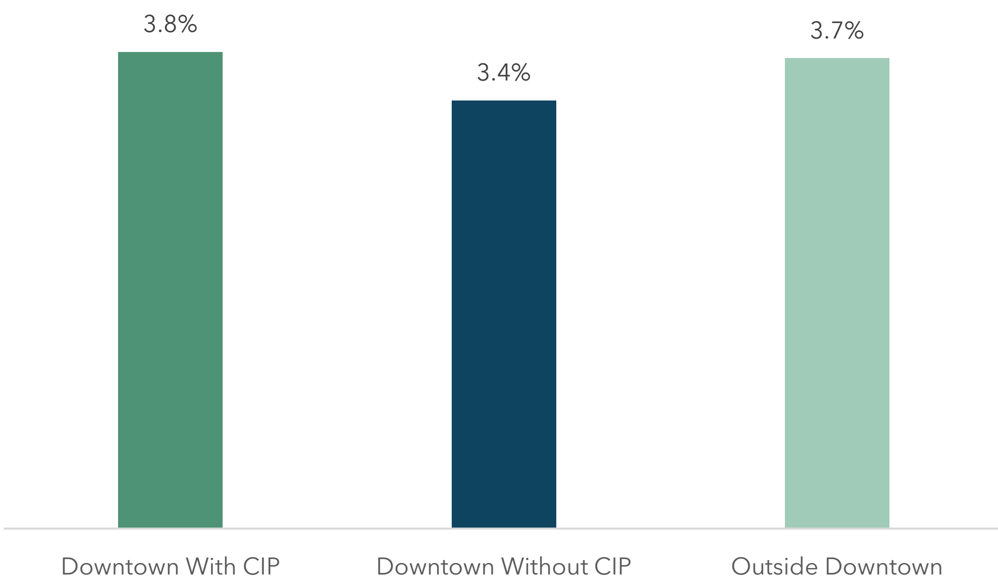
To assist in understanding the potential impact of this change, during our market sounding interviews, we asked how the requirement for affordable units could impact uptake of the program. In all of the interviews, homebuilders in London stated they would not use the Downtown DC and Grant Program if an affordability requirement resulted in financial returns that were lower than not using the program.

Using our baseline pro forma analysis, we have compared the financial return metrics for a Downtown For-Profit development with and without the use of the Downtown DC and Grant Program. These results are summarized in Figure 4.2. While Figure 4.2 focuses on IRR, the return metrics of EMx and Yield follow the same pattern.

As shown, the Downtown DC and Grant Program improves the financial return that a homebuilder could expect to achieve on a new development. Without the CIP, the prototypical development would achieve an IRR of 3.8%. The IRR increases to 4.2% with the CIP. We have also included the IRR for the prototypical development outside the Downtown. As shown, this development results also results in a 4.2% IRR, which matches the return in the Downtown with the CIP. Therefore, **the presence of the CIP in its current form could be assisting in adding new housing supply in Downtown London** by enticing some developers to consider the development of building in the Downtown, as the returns are similar to outside the Downtown.

Figure 4.2

Internal Rate of Return for Prototypical Development with No Affordable Housing



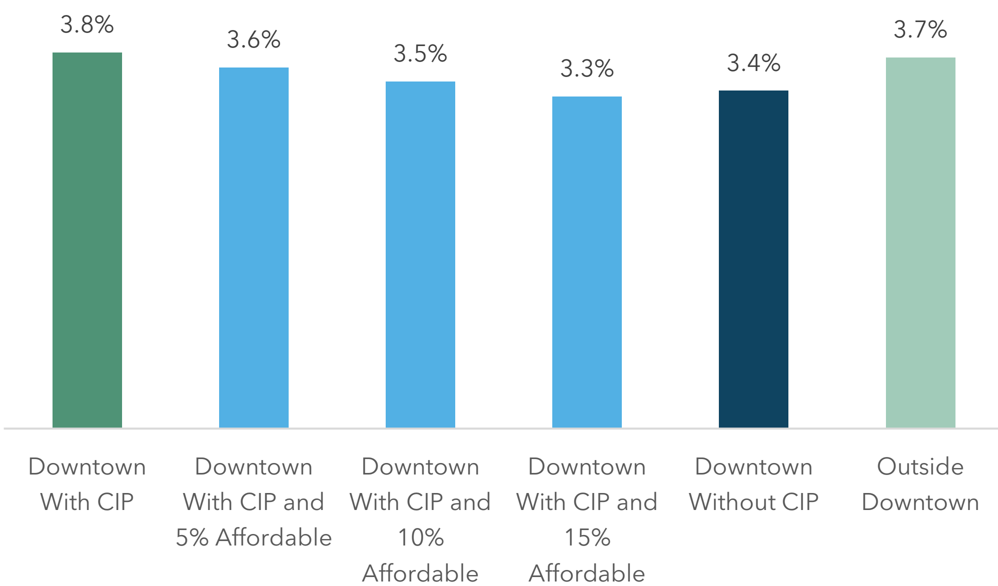
Source: Parcel Economics Inc.

To determine the impact of incorporating affordable units as an eligibility requirement, we have tested the impact of requiring 5%, 10% and 15% of units being leased at affordable monthly rent (i.e., 100% AMR). The results of this analysis are shown in Figure 4.3. As shown, requiring 10% of units to be affordable would result in an IRR of 3.5%, which exceeds the IRR in the baseline scenario with no Downtown DC and Grant Program (3.4%). This indicates that if affordable units were added as an eligibility requirement, it could result in an IRR that is similar to the base case without the CIP. That being said, an IRR of 3.5% in the Downtown with 10% affordable is below what a developer could achieve Outside the Downtown (3.7%). Therefore, including an eligibility requirement for a share of units to be affordable could reduce uptake of the program, as capital could flow to other areas of the City where financial returns are higher, or outside of the City altogether.

As the incentives provided through the Rehabilitation Tax Grant Program are less than the Downtown DC and Grant Program, the same analysis applies, whereby the requirement that a portion of units in the building must be affordable could reduce up-take of the program and potentially result in less housing overall.

Figure 4.3

IRR Impact of Affordability Requirement on Downtown Prototypical Development



Source: Parcel Economics Inc.

APPENDIX H: SUMMARY OF PROJECT ENGAGEMENT

Appendix H: Summary of Project Engagement

Introduction
A series of community engagement activities were carried out from February to April 2024 to inform the CIP recommendations included in the *CIP Review for Increasing Affordable Housing Supply*. This appendix summarizes the experiences and insights shared by project interest holders and outlines what we have heard.

Key Informant Interviews
A total of 10 targeted virtual interviews were completed. The interviews were scheduled for 30-60 minutes depending on participant availability.

Organization	Interviews
Municipal and Non-Profit Housing Providers	4 sessions
Private Sector	6 sessions

Focus Group
The focus group with the non-profit sector was 1.5 hours in length and occurred virtually to ensure ease of participation for all parties.
The project originally targeted two focus groups, however one focus group that was proposed with the private development sector was not held due to lack of response; additional interviews were offered to anyone who contacted the project team.

<u>Needs focused Housing Groups and Non-Profit Housing Providers</u>
Housing providers and those working more directly with those who require affordable housing, as well as those developing non-profit housing were invited to discuss potential definitions of affordability to use in the in context of a City of London Affordable Housing CIP, as well as their feedback on development opportunities and challenges for non-profit housing in the city.

Key Themes from Private Sector Interviews
Parcel Economics conducted research interviews with six (6) London-based private sector developers and homebuilder associations to solicit feedback on London's housing-related CIPs, with a particular focus on the Affordable Housing CIP. These market sounding interviews were also used to validate inputs in the financial feasibility pro forma analysis (e.g., construction costs, land values, unit mix and sizes, parking, etc.).

Key takeaways included:

<u>Existing Affordable Housing & Downtown CIPs</u>

- Many developers were unaware of the existence of the Affordable Housing CIP. Of the developers that were aware, none had used the program because it did not meaningfully improve financial viability.
- Developers had greater awareness of the Downtown CIP, with many of them having reported using it.

<u>Updating CIPs</u>

- CIPs should be designed to be a *driver* of development, not simply an incentive or "bonus".
- Any affordable housing CIP should apply City-wide since land costs are lower in outer areas than in the downtown. Restricting the CIP to the downtown will likely yield smaller unit sizes, but larger households need affordable accommodation too.
- Developers are open to affordability requirements assuming offsetting incentives are available to make up the lost revenue.
- Specific incentives of interest include:
    - Per unit grants.
    - Deferring development charges until occupancy or waiving development charges completely.
    - Reducing or waiving property taxes. Any property tax reduction should continue as long as
    - affordability is maintained instead of applying only to a timeline (e.g., 10 years).
    - Loosening/reducing parking requirements, both in terms of quantity but also built form (surface vs.
    - structured vs. underground).
    - Fast-tracking the approvals process.
- Incentives targeted at capital costs (i.e., DCs) were also preferred over those that targeted operating costs (i.e., property taxes).

Other Takeaways

- It is important that the City is a *partner* with the development industry as the industry does not want to manage affordable units.
- Requiring a percentage of affordable units in market developments increases development complexity without meaningfully contributing to affordable housing stock. There is a preference to see buildings with 100% affordable units.
- Allowing any required affordable units to be provided off-site in existing buildings was suggested to improve financial viability of new development while also bringing affordable units online more quickly as a result of them already existing.
- Beyond CIPs, changing land use regulations to encourage and allow additional supply would help promote affordable housing.

Key Themes from Public Sector Interviews

In April 2024, a series of interviews were conducted with non-profit developers and those in the public sector delivering affordable housing mandates, which shed light on key themes shaping the trajectory of affordable housing projects in the city. These discussions delved into many aspects of housing affordability, ranging from policy integration and stakeholder engagement to funding considerations and zoning regulations.

Integration of Affordable Housing Initiatives with Community Improvement Plans (CIPs)

Interviewees discussed into the integration of affordable housing initiatives with existing Community Improvement Plans (CIPs) to ensure alignment with broader community development goals. Participants highlighted the need for clear integration strategies to effectively incorporate affordable housing objectives within the framework of CIPs. They emphasized that while CIPs offer valuable opportunities for community revitalization and development, there is often a lack of clarity on how affordable housing initiatives can be seamlessly integrated into these plans. Participants stressed the importance of enhancing coordination and collaboration between housing initiatives and CIPs to maximize resources and achieve comprehensive community development. They suggested establishing clearer guidelines and mechanisms for incorporating affordable housing goals into CIPs, ensuring that they are prioritized alongside other community development objectives.

Overcoming Financial Challenges and Securing Funding

Participants highlighted ongoing struggles with funding and the lack of reserves for development projects in this theme. They discussed the need for flexibility in funding models and addressing complexities in accessing capital. Participants emphasized the importance of enhancing financial sustainability to support affordable housing initiatives effectively. They discussed potential strategies for overcoming financial challenges, including exploring alternative funding sources and developing innovative financing mechanisms. Participants stressed the need for collaboration between government agencies, nonprofit organizations, and other stakeholders to develop and implement sustainable funding solutions for affordable housing initiatives. They emphasized the importance of advocating for increased investment in affordable housing and developing partnerships to leverage resources and maximize impact.

Harnessing Incentives for Affordable Housing Growth

Participants discussed the potential of incentives, particularly within CIP frameworks, to stimulate affordable housing development. They explored various incentive mechanisms, such as grants for constructing Accessory Residential Units (ARUs) and incentives for converting office spaces into affordable housing units, in addition to those to facilitate new construction of multi-residential affordable housing projects. Participants expressed enthusiasm for these incentives as tools for encouraging affordable housing growth in the city. However, they also raised concerns about the need to align these incentives with provincial policies to ensure long-term affordability and sustainability. Participants emphasized the importance of carefully designing incentive programs to target specific housing needs and ensure equitable access for all communities. They highlighted the need for ongoing evaluation and refinement of incentive programs to maximize their effectiveness in promoting affordable housing development.

Engaging Interest Holders and Assessing Needs

This theme underscores the importance of engagement in shaping effective affordable housing initiatives. Participants highlighted the need to understand the diverse needs and perspectives of various interest holders, including nonprofit and private developers, community organizations, and residents. They emphasized the importance of inclusive decision-making processes that consider the voices and concerns of all of those involved in affordable housing development. Participants discussed the challenges of engaging interested parties effectively, including limited resources and capacity among community organizations. They stressed the need for ongoing communication and collaboration between stakeholders to ensure that affordable housing initiatives are responsive to community needs and priorities.

Revising Definitions and Zoning for Affordable Housing

Discussions with participants also included revising definitions and zoning regulations to better support affordable housing initiatives. Participants emphasized the need to redefine affordability criteria to include community housing and explore income-based definitions that align with local needs while ensuring that any publicly funded affordable housing units go to those who need them. They discussed the challenges of navigating complex zoning regulations and suggested adapting zoning policies to accommodate diverse housing needs. Participants highlighted the importance of flexible zoning policies that can effectively facilitate affordable housing development in the city. They emphasized the need for ongoing collaboration between housing advocates, policymakers, and community stakeholders to develop and implement zoning policies that support equitable and inclusive housing outcomes.

Funding Considerations and Program Evaluation
Participants also addressed the importance of evaluating existing programs. Participants discussed the need to align recommendations with budget constraints and continuously assess program outcomes to optimize resource allocation. Participants highlighted the need for strategic funding considerations and program evaluation to ensure that resources are allocated efficiently and equitably. They stressed the importance of transparency and accountability in funding processes, as well as ongoing monitoring and evaluation to track progress and outcomes over time.

Key Themes from Needs-Focused Focus Group

Affordable Housing Challenges and Strategies:
Participants discussed the multifaceted challenges of housing affordability, accessibility, and equity in London. This included discussion of the scarcity of affordable options for various demographic groups, including families, individuals with pets, and low-income seniors. They emphasized the constraints imposed by funding structures like CMHC grants on the development of affordable housing units, exacerbating this shortage. Advocacy for a graduated housing system that enables smooth transitions between deeply affordable accommodations and higher-rent options was discussed. Additionally, there was a call for tailored housing options catering to various household compositions, from single people to families, highlighting the need for a comprehensive approach that ensures deeply affordable options for vulnerable populations while also providing moderately priced units for moderate-income households. Maintaining a balance between subsidized and market-rate units within affordable housing developments is recognized as crucial, with participants discussing interventions to bridge the gap effectively.

Policy Development, Funding, and Sustainability:
Participants also discussed the collaborative efforts of interest holders in policy development and program implementation to address London's housing needs. Participants discuss the alignment of work between housing access centers and coordinated access teams to tailor housing options to applicants' needs. Funding availability through initiatives like the City’s *Roadmap to 3,000 Affordable Units* and CMHC’s grants were highlighted as essential for facilitating the expansion of affordable housing projects. However, concerns were raised regarding eligibility criteria, funding mechanisms, and sustainability, especially for non-profit organizations. Participants stressed the importance of establishing clear guidelines and policies for affordable housing programs, including income testing and eligibility criteria, to ensure equitable access. Strategies for sustaining and augmenting funding availability were explored, alongside discussions on rental affordability and innovative suggestions such as restructuring CIP funds to align with varying levels of affordability required for each housing opportunity.

Rental Market Dynamics and Deep Affordability:
Discussions explored the dynamics of the rental market in London and the importance of deeply affordable housing options. Participants discuss rising rental rates in both private and non-profit sectors, emphasizing the need for affordable options catering to various income brackets. Challenges related to funding and maintaining deeply affordable housing, including reliance on subsidies and grants, were highlighted. Participants advocated for innovative funding mechanisms such as rent supplements and municipal incentives to ensure the sustainability of deeply affordable housing projects.

Financial Sustainability and Funding Challenges:
The financial challenges faced by housing providers in developing and maintaining affordable housing projects was also discussed. Participants spoke to the need for sustainable funding sources to support construction, operation, and maintenance. Government subsidies, grants, and incentives were highlighted as essential facilitators of affordable housing development. Participants emphasized the importance of long-term financial planning and risk management strategies to ensure project sustainability. Concerns are raised about the limited availability of funding resources and the need for greater investment in affordable housing initiatives to meet growing demand.

Waitlist Management and Housing Accessibility:
Discussions regarding the management of waitlists for affordable housing in London and strategies for enhancing housing accessibility also occurred. Participants discussed the comprehensive approach adopted to manage waitlists, incorporating multiple lists and cross-referencing mechanisms to identify priority candidates for available housing units. They highlighted the significant role played by the City of London in collaborating with housing providers to facilitate housing placements and support services. Additionally, participants emphasize the importance of mixed-income buildings in promoting social inclusion and diversity within communities.