

STAFF REPORT

THE CORPORATION OF THE TOWN OF COBOURG



Report to:	Mayor and Council Members	Priority:	<input type="checkbox"/> High <input checked="" type="checkbox"/> Low
Submitted by:	Marina Smirnova Planner I - Heritage Planning and Development msmirnova@cobourg.ca	Meeting Type:	Open Session <input checked="" type="checkbox"/> Closed Session <input type="checkbox"/>
Meeting Date:	March 13, 2023		
Report No.:			
Submit comments to Council			

Subject/Title: Affordable & Rental Housing Community Improvement Plan (CIP) Intake 2021 – Update to Results and Recommendations

RECOMMENDATION:

THAT Council receive this staff report for information;

FURTHER THAT Council pass a By-law authorizing the Mayor and Clerk to execute the necessary funding agreements between the Town of Cobourg and Balder Corporation.

1. STRATEGIC PLAN

Not applicable at this time.

2. PUBLIC ENGAGEMENT

This report was published and made available to the public 10 days prior to the scheduled Committee of the Whole meeting. The initial recommendation to award funding to Balder Corporation as part of the Affordable & Rental Housing CIP 2021 intake period was presented at the September 6, 2022 meeting of the Committee of the Whole. The recommendation report was written by Rob Franklin, Manager of Planning, and published and made available to the public 10 days prior to the scheduled Committee of the Whole meeting.

3. PURPOSE

This report provides Council with a further update regarding the results of the 2021 Affordable & Rental Housing CIP application intake period. Specifically, it provides an update on Balder Corporation's purpose-built rental project at 311 – 325 University Avenue West. The project was meant to provide 71 rental units with fifteen (15) affordable units, with funding allocated based on this assumption. The number of affordable units provided has changed in response to increases in the cost of construction, with Balder Corporation now providing four (4) affordable units based on the Town of Cobourg's definition of affordability. This report is intended to discuss these changes in a fulsome manner.

4. ORIGIN AND LEGISLATION

In the Fall of 2019, a process to develop a Community Improvement Plan (CIP) was initiated by Council in collaboration with MacNaughton Hermsen Britton Clarkson (MHBC) Planning Limited and SHS Consulting to provide the Town with a financial tool to help stimulate the provision of affordable and rental housing in the community. This was pursuant to the recommended actions arising out of the County and Town Affordable Housing Strategies and to meet the requirements under the Planning Act. The CIP also aimed to further incentivize affordable and rental housing projects that also included elements of sustainable and universal design, and those that facilitated brownfield re-development.

5. BACKGROUND

CIPs are undertaken in accordance with the legislative and policy framework of the Province, County and local municipality, and are commonly used to stimulate the physical improvement and revitalization of a specific area(s) of a community by offering a range of financial incentives to the private sector to implement action and change. Under the *Municipal Act*, municipalities are prohibited from financially assisting private commercial enterprises (otherwise known as “bonusing”) unless undertaken in accordance with a CIP approved under Section 28 of the *Planning Act*. CIPs help encourage private sector investment and improve the physical and/or socio-economic environment in a community but are not land use plans or housing support programs.

The CIP process entailed extensive background research and analysis, including a review of the local demographic and housing context and needs, research into best practices in Ontario, a financial assessment and public/stakeholder engagement. The results of this stage were compiled into a Background Report, where several *key focus areas* and *considerations* were identified as having the most influence with respect to the development of the CIP. They are as follow:

1. Increasing the supply of purpose-built rental housing;
2. Increasing the supply of smaller unit sizes;
3. Promoting the development of second units;

4. Promoting the development of mixed-ratio (market and affordable) developments; and,
5. Supporting emergency and transitional housing services.

The following *considerations* for the structure of the CIP were also identified:

- Incentives should be applied Town-wide and not targeted to a specific area(s);
- Options for waiving application fees, development charges and property taxes;
- Application of a tiered approach to incentives based on need and operating costs;
- Provision of incentives for affordable or rental developments that include sustainable and/or accessible design elements; and,
- Opportunities to leverage partnerships with community organizations to implement the CIP and/or provide on-site or off-site supports in conjunction with housing.

The incentives contained within the Affordable & Rental Housing CIP program (details in Section 3.7) and include grants and/or loans for work proposed under the following programs:

- Rental Housing Planning and Building Fee Waiver Program;
- Rental Housing Cash-in-lieu of Parking Reduction Program;
- Rental Housing Development Charge Grant Program;
- Rental Housing Property Tax Increment Grant Program;
- Second Unit Planning and Building Fee Reduction Program;
- Second Unit Renovation and Construction Grant/Loan Program;
- Emergency and Transitional Housing Planning and Building Fee Waiver Program;
- Emergency and Transitional Housing Development Charge Grant Program;
- Affordable Housing and Home Ownership Planning and Building Fee Reduction Program;
- Affordable Housing and Home Ownership Development Charge Grant Program;
- Brownfield Redevelopment Grant Program*;
- Universal Design Grant/Loan Program*;
- Sustainable Design Grant/Loan Program*

*Must be associated with an affordable and rental housing project.

During the 2021 application intake period, there were four (4) applications received. Balder Corporation was the only applicant that was approved to receive financial support, as the three other applications were either premature or did not meet the criteria for financial support. The request for support amounted to \$802,928.87 in grants under the various CIP programs and a \$100,000 loan under the accessible and sustainable CIP programs. The Committee was ultimately in partial agreement of the request, recommending support under the Planning and Building Fee Program, as well as loans under the Sustainable Development and Universal

Design Programs. Financial support totaled \$147,913.87 in grants plus \$100,000 in loans.

Staff became aware in late 2022 that the number of affordable units offered as part of Balder's development was different than what was stated in the unit mix provided as part of their application (for the application in its entirety, please refer to Appendix 1 of this report). As such, staff resolved to summarize these changes in an update to Council. The subsequent section of this report discusses these changes.

6. ANALYSIS

The summary of Balder Corporation's 2021 application, as outlined in staff's report to Council in September of 2021, is as follows:

This project is for 71 rental units including 15 affordable units. As part of the project a number of the dwellings have been designed with Universal Design measures, Accessible or Accessible-ready features beyond the minimum required under the Building Code. All Planning approvals are in place and this project is under construction with occupancy planned for later 2022. Their request was for \$802,928.87 in grants under the various programs as well \$100,000 in loans under the accessible and sustainable programs. The Committee was in partial agreement of the request and recommend support under the Planning and Building Fee Program, and the grants and loans under the Sustainable Development and Universal Design Programs totaling \$147,913.87 plus \$100,000 in loans. The Committee did not support the request for Parkland Levy reduction as the CIP program does not have a program for that component, the program is for Parking Fees not Parkland. They also did not support the Development Charges reduction request of approximately \$650,000. There is already a 10-year deferral of the \$547,263 in Development Charges in the existing Agreements as well as a waiver of the approximate \$110,600 in interest for those 10 years.

The unit mix provided has not changed; however, Balder Corporation has increased the rents for the units in the building in response to the increased costs associated with the development, including the increased cost of materials and construction during the construction period and over the course of COVID.

As such, four (4) of the units instead of fifteen (15) will meet the Town of Cobourg's definition of affordability. As per the Town of Cobourg's AHS, "affordable" rental housing is defined as "the least expensive of: a) a unit for which the rent does not exceed 30% of gross annual household income for low and moderate households; or b) a unit for which the rent is at or below the average market rent of a unit in the regional market area. A moderate-income household is defined as a household with an income in the lowest 60% of the income distribution for renter households for the regional market area. This definition is consistent with the County's definition of affordability in its AHS, as well as the Town of Cobourg's definition of affordability in its AHS, which is the same as the County's.

If Balder’s rents were to meet the definition of affordability as established by the County (and therefore adopted by the Town of Cobourg), they would need to be as follows¹:

Unit Size	Average Market Rent	Maximum Monthly Rent if Utilities Are Included
Bachelor Unit	\$1,058	\$1,158
One-bedroom unit	\$1,259	\$1,359
Two-bedroom unit	\$1,326	\$1,426
Three+ bedroom unit	\$1,559	\$1,659

Four (4) of the one-bedroom units in the development meet this definition as they are priced below \$1,259. The remainder of the studio and one-bedroom units begin at approximately \$1,550 for monthly rent. Larger units have correspondingly larger rents. The rents for the four (4) affordable units are fixed, while the remainder of the rents may fluctuate in response to changes in the rental market.

It should be noted that while eleven (11) units no longer meet the definition of affordability as outline by the Town and County, the 15 units **still** meet the definition of affordability as outlined by the Canada Mortgage and Housing Corporation (CMHC). CMHC defines an affordable development as one where “at least 20% of units have rents below 30% of the median total income of all families for the area, and the total residential rental income is at least 10% below its gross achievable residential income.” As Balder has applied for funding through CMHC’s Rental Construction Financing Initiative, this definition must be met. While Balder’s intent was to meet the Town of Cobourg’s definition of affordability as well, increased costs over the past two years has made that difficult to do without compromising the overall financial viability of the development.

The CIP program is intended to stimulate the number of rental units available, both affordable and market-rate. While the outcome differs from the information contained in Balder’s application form, the overall project still meets the objective of providing purpose-built rental housing in Cobourg. An important clarification is that the development was never intended to be affordable in its entirety. This has been incorrectly assumed in the public realm in the past. The development was proposed as a mix of affordable and market-rent units, which remains the case. The overall intent of the CIP program continues to be met.

7. FINANCIAL IMPLICATIONS/BUDGET IMPACTS

¹ Note that these rents are for 2022. Northumberland County updates affordable market rents on an annual basis. Since affordable rents are based on average market rents, the affordable rate will change based on the rental market.

The change in Balder's rents will have no new budget impacts for the Town of Cobourg. Staff are not proposing any changes to the approved amounts previously authorized by Council.

8. CONCLUSION

In summary, while Balder Corporation's development contains less units that meet the Town of Cobourg's definition of affordability than stated in their initial application, they are ultimately adding 71 purpose-built rental units to the overall housing stock in Cobourg. The toolbox of incentive programs outlined in the Affordable & Rental Housing CIP target the development of purpose-built rental housing generally, both affordable and market-rate. Therefore, Balder Corporation's development continues to meet the intent of the Affordable & Rental Housing CIP.

Report Approval Details

Document Title:	Affordable and Rental Housing CIP 2021 Intake Update - Balder - Planning and Development-095-23.docx
Attachments:	- Draft By-law - Funding Agreement with Balder (March 2023).docx - Balder 2021 CIP Application Form.pdf - Affordable and Rental Housing CIP Intake 2021 Final - Planning and Development-075-22 (1) (2).pdf
Final Approval Date:	Mar 2, 2023

This report and all of its attachments were approved and signed as outlined below:

Rob Franklin - Mar 2, 2023 - 1:26 PM

Anne Taylor Scott - Mar 2, 2023 - 3:48 PM