



Report to Council

Department: Development Services
Division: Development Services
Date: December 7, 2020
Prepared by: Lori Chadwick, Director, Development Services
Report Number: Development Services-2020-03
Subject: Housing Affordability and Opportunity in the Town of Essex
Number of Pages: 12 + attachments

Recommendation(s)

That Development Services Report 2020-03 dated December 7, 2020 be received; and

That Council consider the options and associated impacts to incentivize Infill Residential Development through the waiving of Development Charges in advance of 2021 Budget Deliberations.

Purpose

To provide Council with options and associated impacts on potential incentives that can be offered by the Town to encourage investment in Infill Housing, to summarize existing policies and incentives that are currently offered to encourage housing affordability, and to identify additional actions and plans that can be offered.

Background and Discussion

At the Regular Meeting of Council on April 15, 2019, Council directed Administration to “develop an affordable municipal housing strategy due to the urgent crisis in Windsor and

Essex County” (R19-04-170). At the Regular Meeting of Council on March 20, 2020, Council directed Administration to “prepare a report investigating on how the Town could finance the development charges portion only for the total 132 infill residential development lots in the entire municipality” (R20-03-083).

This report identifies initiatives that have been, and could be, undertaken to supplement or support housing affordability in the Town of Essex, including the development of Infill Housing.

Definition of Attainable Housing:

At a broader level, “Attainable Housing” is defined as the ability of households at various income levels to find and secure (attain) suitable housing, so they can advance to higher levels of the local housing market. This definition implies that there is a range of housing options (type, size, tenure, cost) that exist in the local market.

While municipalities often focus on the provision of subsidized housing, more recently there is concern about the “Missing Middle”: housing that is available to and attainable by persons who have the financial resources to afford owner-occupied or rental accommodation that exceeds that of assisted housing, but is priced under the market prices of higher end single detached housing preferred by many home builders. The focus of this report is on the missing middle housing provision.

Ontario’s Housing Crisis and Response

Across the Province, the price of homes and rents have risen faster than incomes. According to *More Homes, More Choices: Ontario’s Housing Supply Action Plan*, 83% of buyers cannot afford the average resale home, and 56% of renters cannot afford the average two (2) bedroom apartment. Locally, the average resale value of a home in all Wards for August 2020 have doubled since August 2019. In addition, the opportunity to purchase a resale house in the Town is extremely limited in all of our urban centers.

As bound by the Provincial Policy Statement (PPS, 2020), planning authorities (Municipalities) must provide for an appropriate range and mix of housing options and densities to meet projected market-based and affordable housing needs of current and future residents of the market area by:

- establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households and which align with applicable housing and homelessness plans;
- permitting and facilitating all housing options required to meet the social, health and economic well-being requirements of current and future residents;
- permitting and facilitating all types of residential intensification, including additional residential units and redevelopment

Completed Town of Essex Initiatives to Provide a Variety of Housing Options:

To help meet the goal of providing a range of attainable housing opportunities, the Town has:

1. Pre-zoned greenfield lands for a mix of housing – single, semi-detached and townhome units. This permits builders to market their lands for a variety of buyers and needs. Seniors for example are showing a preference for single storey dwellings, primarily townhome dwellings, with garage parking and reduced outdoor open space on site.
2. Zoned for attached Second Dwelling Units in single-detached, semi-detached and townhome dwellings in our Settlement Areas. While currently permitted as attached to the main dwelling, it is a very popular means of providing affordable rental housing in high growth, high cost areas. Rising house prices have boosted demand for such accommodation in recent years for aging parents and children.
3. Provided \$5,000 grants for the creation of rental dwelling units (where rent would be \$1000/month all-in) in commercial spaces or in an existing dwelling in our three (3) Community Improvement Plan Project Areas.

Proposed Town of Essex Initiatives that will provide a Variety of Housing Options:

The Government of Ontario, through the *More Homes, More Choice Act*, believes that increasing the supply of housing will help every person in the Province by making housing more affordable so that persons and families of all economic backgrounds can find a home that meets their needs and budgets. Reviewing affordable housing strategies and strengthening existing policies to provide for diverse, development ready opportunities is a principle objective of the Council's 2019-2022 Corporate Strategic Plan.

The following initiatives build upon recent changes to the Provincial Policy Statement (PPS) respecting residential land use and are supported by existing frameworks for incentivizing affordable housing development:

1. Incentivizing Infill Residential Development

On March 16, 2020, Administration prepared a Report to Council on Infill Residential Opportunities in the Town of Essex, where 132 potential Infill Residential Dwelling Units were presented for Council's information. The Presentation can be found in **Appendix A** of this Report, and the corresponding Infill Residential Map can be found at the link below:

<https://essexcounty.maps.arcgis.com/apps/View/index.html?appid=2036ba061ab34d9096a96a39e4fb2729>

As described in the March 16th Report, the Development Charges (DCs) for the identified Infill Lots are broken down as follows:

Settlement Area	# of Units	Full Charges	Soft Services	Hard Services	Area-Specific
McGregor	2	\$19,678	\$10,094	\$7,840	\$1,744
Essex Centre	29	\$331,935	\$146,363	\$88,393	\$97,179
Harrow	5	\$0			
Colchester Centre	70	\$729,340	\$353,290	\$231,360	\$144,690
CR 50 West	26	\$264,212	\$131,222	\$79,248	\$53,742
Total: 132 Units	132	\$1,345,165	\$640,969	\$406,841	\$297,355

"Hard Services" refers to municipal-wide services related to roads, fire protection, policing, and administration (essential services studies). "Soft Services" refers to

municipal-wide services related to outdoor recreation, indoor recreation, library, and administration (community-based studies). "Area-specific" refers to wastewater charges specific to each municipal ward.

In support of Council's resolution to investigate on how the Town could finance Development Charges for the total 132 Infill Residential Dwelling Units, the following options may be considered:

- a) Option to Defer Payment for all 132 units:
 - Development Charges not waived
 - Payment in installments over a specific duration of time at a pre-determined interest rate (i.e. 18 months), or lump sum payment made at the completion of a specific duration of time (i.e. 18 months)
Penalty and interest-free
- b) Option to Waive Soft Services by 50% for 98 "Ready to Build" Infill Semi-Detached Dwellings:
 - For Infill Semi-Detached Residential Lots only / Excludes subdivision or greenfield development
 - Must have proper zoning in place
 - For a specified duration of time (i.e. 3 year deadline)
 - Maximum total of \$247,665 = 1.7% Property Tax Impact
 - Note: No recent issues have been raised with Administration in at least two (2) examples of Infill Semi-detached Dwellings where two (2) DCs have been applied
- c) Option to Waive Soft Services only for the 98 "Ready to Build" units:
 - For a specified duration of time (i.e. 3 year deadline)
 - Maximum total of \$495,330 = 3.3% Property Tax Impact
- d) Option to Fully Waive DCs for the 98 "Ready to Build" units:

- For a specified duration of time (i.e. 3 year deadline)
 - Maximum total of \$1,032,699 = 5.0% Property Tax Impact + TBD increase to Wastewater Rates for 2021
- e) Option to Waive Soft Services only for all 132 units:
- For a specified duration of time (i.e. 3 year deadline)
 - Maximum total of \$640,969 = 4.3% Property Tax Impact
- f) Option to Fully Waive DCs for all 132 units:
- For a specified duration of time (i.e. 3 year deadline)
 - Maximum total of \$1,345,165 = 7.0% Property Tax Impact + TBD increase to Wastewater Rates for 2021

For any waiver of Development Charges, the Town is required to fund the waiver, be it through taxation, user rates, or any other form of revenue.

If Council chooses to waive any part of a development charge, an amendment to the Town's Development Charges Bylaw is required. The following steps are required when amending the Development Charges By-law:

- Prepare a Background Study that outlines the amendments (defining Infill Residential, listing the properties, etc.) with a Draft Amending By-law. This report must be released at least 60 days prior to Council deciding on the Amending By-law.
- Hold at least one (1) public meeting. The Background Study and Draft Amending By-law must be available at least 14 days prior to a public meeting. Give at least 21 days' notice of the public meeting.
- Observe a 40-day appeal period after passing of the By-law.

2. Zoning for Detached Second Dwelling Units

A Second Dwelling Unit is a self-contained dwelling unit with a private kitchen, bathroom facilities and sleeping areas. Adding a Second Dwelling Unit in a principle residence (or in a completely detached ancillary structure located on the same property), is a great way for residents to provide independent living for a family member or add to the existing rental housing stock in both rural and urban areas.

Currently, under the General Zoning By-law, a Second Dwelling Unit is permitted in a single detached dwelling and in semi-detached and townhome dwelling units in our urban centers. A Second Dwelling Unit is permitted in rural dwellings by site-specific rezoning only.

It is proposed that, in accordance with new Provincial mandates, a Second Dwelling Unit would be generally permitted in a dwelling in both urban and rural locations or, optionally, in an accessory building. This will help to address the demand for affordable rental accommodation throughout the Town. This will be further discussed in a separate Report to Council, as part of proposed General Amendments to the Zoning By-law.

On September 18, 2020, the *COVID-19 Economic Recovery Act* received Royal Assent which mandated several changes to the *Development Charges Act* including the exemption of DC charges for second dwelling units meaning: the creation of a second dwelling unit in an existing or new detached dwelling and/or prescribed ancillary structures, are exempt from development charges.

In 2021, Administration will be undertaking the DC amendment process to incorporate this mandatory exemption, while also embracing all the changes to the by-law required by the change in legislation.

3. Zoning for Tiny Homes

A “Tiny Home” is a small, private and self-contained dwelling unit with living and dining areas, kitchen and bathroom facilities, a sleeping area, and is intended for year-round use. A Tiny Home can be a primary home or a separate structure on a property that already has an existing house (see Second Dwelling Unit). They are a great way to save on housing costs and are also more affordable to build and maintain than a typical house. The size of a Tiny Home varies from municipality to municipality, depending on standards set out in Zoning By-laws. Some municipalities have minimum size requirements, while others have maximum size requirements. In all cases, a Tiny Home cannot be smaller than the minimum required size set out in the Ontario Building Code, which is 17.5 m² (188 ft²).

The General Zoning By-law sets minimum floor area sizes for low density and multiple dwelling units of 60 m² (650 ft²) and 40 m² (400 ft²), respectively. These limits considerably exceed the minimum floor areas required by the Ontario Building Code and are generally larger than what is typical for tiny homes, which range from 20 m² (215 ft²) to 40 m² (430 ft²) in floor area. To provide more flexibility in housing options, it will be recommended in our separate Report to Council, as part of proposed General Amendments to the Zoning By-law, that the minimum floor area limits be removed from the Zoning By-law.

Additional Town of Essex Initiatives that could provide a Variety of Housing Options:

The Town may also be inspired by the following development opportunities in its quest for housing affordability:

1. Land Lease Communities

Opportunities exist to provide another attainable housing option that is not currently prevalent in this region, the land lease option. Under this scenario, a dwelling is purchased but the land it is on is leased on a monthly or annual basis. This lowers the initial cost of the dwelling.

Administration is reviewing locations where this option is feasible. For example, Klie's Beach, on the east side of Colchester, is a 13ha (32 acre) private property currently zoned for three season residential occupancy. Small owner-occupied seasonal dwellings are located in the south one third of the property on leased land. Recently the substandard septic systems were replaced by a communal package septic sewage treatment plant. As such, the opportunity exists to add more housing on the same basis, with the added option to rezone the property for year around occupancy, in light of the upgraded septic sewage treatment system. As this would be a land lease arrangement, no plan of subdivision approval would be necessary.

2. Eliminating the R1 Zoning

Most low density residential zoning is split into two broad categories, R1.1, single-detached residential (with provision for a second dwelling unit); R2.1, permitting single and semi-detached dwellings; and, R2.2 permitting single, semi-detached and townhome dwellings. Inquiries to build on infill lots have focussed on the construction of semi-detached dwellings, regardless of the zoning. In R1.1 zones, a semi-detached dwelling is not permitted except by site-specific rezoning.

Rezoning established neighbourhoods from R1.1 to R2.1 would permit the construction of semi-detached dwellings on infill lots without the need for a site-specific rezoning. While that may be contentious, with reference to the infill lot distribution maps, it will be noted that the available infill lots are quite scattered in the case of Essex Centre, few in both Harrow and McGregor, and a good fit in Colchester to better reflect resale house prices and housing accommodation there.

It should be noted that greenfield subdivisions, such as Parkland Estates in Harrow and the Essex Town Centre subdivision in Essex Centre, are zoned for single-detached, semi-detached, and townhome dwellings.

Financial Impact

The financial impacts to the Town in waiving Development Charges are identified on Pages 5 & 6 of this report. The impact ranges from a 7% property tax impact to existing property owners, and an increase to the wastewater rates (ward specific) for the 2021 budget year, to the deferral of development charges for a period up to 18 months at a pre-determined interest rate. For any waiver imposed, the Town is required to refund the DC Reserve Fund through taxation.

Financial impacts to the Town, if any, related to Tiny Homes and Detached Second Dwelling Units will be identified in our separate Report to Council, as part of proposed General Amendments to the Zoning By-law. Should Council wish to explore additional attainable housing options such as Land Lease Communities and the Elimination of the R1 Zoning, financial impacts would be investigated further.

Consultations

Rita Jabbour, Manager, Planning Services

Jeff Watson, Planner

Jeffrey Morrison, Director, Corporate Services / Treasurer

Chris Nepszy, Chief Administrative Officer

Link to Strategic Priorities

- ☐ Manage, invest and plan for sustainable municipal infrastructure which meets current and future needs of the municipality and its citizens.
- ☐ Create a safe, friendly and inclusive community which encourages healthy, active living for people of all ages and abilities.
- ☐ Provide a fiscal stewardship and value for tax dollars to ensure long-term financial health to the municipality.
- ☒ Manage responsible and viable growth while preserving and enhancing the unique rural and small town character of the community.
- ☐ Improve the experiences of individuals, as both citizens and customers, in their interactions with the Town of Essex.
- ☐ Improve the Town's capacity to meet the ongoing and future service needs of its citizens while ensuring the corporation is resilient in the face of unanticipated changes or disruptions.

APPENDIX A:

Infill Residential Development Presentation to Council, March 16, 2020

Report Approval Details

Document Title:	Attainable Housing Report - Development Services-2020-03.docx
Attachments:	- Infill Development Presentation to Council Final.pdf
Final Approval Date:	Nov 30, 2020

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

A handwritten signature in black ink, appearing to read "Chris Nepszy".

Chris Nepszy, Chief Administrative Officer - Nov 30, 2020 - 2:16 PM