



**CITY OF HAMILTON**  
**PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT**  
**Planning Division / Economic Development Division**

<b>TO:</b>	Mayor and Members General Issues Committee
<b>COMMITTEE DATE:</b>	December 7, 2016
<b>SUBJECT/REPORT NO:</b>	Affordable Housing Demonstration Project (PED16236) (Ward 4) (Outstanding Business List Item)
<b>WARD(S) AFFECTED:</b>	Ward 4
<b>PREPARED BY:</b>	Edward John (905) 546-2424 Ext. 5803  Joe Muto (905) 546-2424 Ext. 7859  Steve Robichaud Director of Planning and Chief Planner
<b>SUBMITTED BY:</b>	Jason Thorne General Manager Planning and Economic Development Department
<b>SIGNATURE:</b>	

**RECOMMENDATION**

- (a) That staff be directed and authorized to examine and report back to General Issues Committee (GIC) on the feasibility of a package of direct and indirect financial incentives to support the provision of affordable housing, including but not limited to Development Charge and Parkland Dedication reductions applicable to both market and affordable residential units, on the basis of a 'Demonstration Project' within a portion of the McQueston neighbourhood, consisting of a mixed income housing development intended to stimulate neighbourhood renewal;
- (b) That staff be directed and authorized to develop in coordination with Roxborough Development Inc., and CityHousing Hamilton staff a Letter of Intent regarding the potential purchase of all or a portion of the CityHousing Hamilton owned lands in the McQueston Neighbourhood, to the satisfaction of the City of Hamilton and CityHousing Hamilton;

- (c) That upon implementation of the approval the item regarding review of extending the Community Improvement Plan Area be removed from the Planning Committee Outstanding Business List.

## **EXECUTIVE SUMMARY**

Roxborough Park Inc. are proposing a mixed income and mixed tenure development on lands which contain the former Roxborough Park School and adjacent lands currently owned by CityHousing Hamilton (CHH).

The development is considered an advantageous demonstration project intended to satisfy a number of planning and social policy objectives. In order to facilitate this development, staff is proposing to create a package of incentives using existing available planning and financial tools, including but not limited to, reductions in Parkland and Development Charges applicable to affordable housing developments.

***Alternatives for Consideration – See Page 18***

## **FINANCIAL – STAFFING – LEGAL IMPLICATIONS**

**Financial:** The Report has no financial implications; however as part of the review, City of Hamilton finance staff will be consulted in order to determine feasibility of the proposed incentives. Any financial implications will be addressed as part of the subsequent Report.

**Staffing:** N/A

**Legal:** The Report has no legal implications; however as part of the review, City of Hamilton Legal staff will be consulted in order to determine feasibility of the proposed incentives through the regulatory framework.

## **HISTORICAL BACKGROUND**

The development would be located within the McQueston Neighbourhood. This neighbourhood is bounded by the Red Hill Valley to the east, Queenston to the south, Parkdale to the west and the railroad tracks between Barton and Burlington Street to the north. It is home to over 7,000 residents.

Recent studies (Social Planning and Research Council (SPRC, 2012)) have profiled the neighbourhood, with findings suggesting that the social and economic vulnerability of its population is more significant than other neighbourhoods. This vulnerability is particularly acute in young families and elderly people.

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The proposed development would in part, address this vulnerability through providing additional housing options for a variety of economic needs. The development would also result in the renovation and revitalisation of existing social housing units and serve as a catalyst for general neighbourhood renewal.

The subject lands include the site of the former Roxborough Park School, which has been closed since June 2015. The school site was purchased by Roxborough Park Inc. (RPI), with the intent of developing a residential development. The redevelopment of the subject lands for residential purposes is considered both appropriate and desirable as it is situated within an existing residential neighbourhood, adjacent Roxborough Park and serviced by higher order transportation network, including but not limited to the Red Hill Parkway and the future GO Station at QEW and Centennial.

The potential inclusion of additional lands currently owned by CHH could result in a development that includes mixed income, mixed tenure units, and redevelopment of existing housing stock that is at the end of its intended lifecycle and requiring significant capital expenditure in order to repair. This was discussed in detail at the CHH Portfolio Committee, September 16, 2016. At that meeting the following motion was made by Councilor Jackson and unanimously approved:

“That staff continue discussions with Roxborough Park Inc. representatives and report back to a future committee with the result of those conversations”.

On this premise, Planning staff have been working with Housing Services, CHH and the proponents to determine a comprehensive plan for delivery of an affordable housing demonstration project. One key determinant to the success of the development would be the availability of financial assistance from the City to ensure a meaningful amount of affordable housing is created and secured.

The following Report highlights the options available for consideration, and recommends pursuing one of these options on the basis of a demonstration project. If successful, this option could be applied to City Wide “Bluefields” and a model for other joint ventures to meet broader policy goals and objectives. As discussed within this Report, “Bluefields” are institutional or community facilities that are no longer in use. They may include former schools, hospitals, long-term care facilities, courthouses or similar uses. They often are economically challenged sites such as the subject lands. While not all former institutional sites face the same challenges, it is noted that the concepts and ideas regarding their redevelopment could assist in achieving other policy objectives beyond just affordable housing, including matters such as open space and parkland.

With regard to the availability of incentives, two approaches have been reviewed. Firstly, the creation of a Community Improvement Plan Area (CIPA) has been considered. The potential for such a consideration was in part through Council direction

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in response to the May 11, 2016, amendments to the Downtown and Community Renewal and Community Improvement Plan.

Alternatively, a tailored approach to incentives for the purpose of encouraging affordable housing has been reviewed. As opposed to a blanket CIPA, this approach would tailor the programs and incentives intended specifically to encourage private investment in affordable housing developments and generate neighbourhood revitalization. This is the recommended option.

## **POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS**

The following are policy considerations in general support of the proposed demonstration project:

### *Planning Act*

Broad support is given to encourage projects for affordable housing particularly through amendments that were made to the *Planning Act* by the *Strong Communities through Affordable Housing Act, 2011* which among other matters, provided greater emphasis upon affordable housing matters as a provincial interest in Section 2 of the *Planning Act*.

### Provincial Policy Statement (2014)

Policy 1.1 - Managing and Directing Land Use to Achieve Efficient and Resilient Development and Land Use Patterns – identifies that healthy, liveable and safe communities are sustained by an appropriate range and mix of residential uses including second units, affordable housing and housing for older persons uses. The proposed incentives would assist in removing some of the financial barriers that encumber mixed income developments.

Furthermore, Policy 1.4.3 specifically directs planning authorities to provide for an appropriate range and mix of housing types and densities to meet projected requirements of current and future residents of the *regional market area* by:

“b) permitting and facilitating:

- 1) all forms of housing required to meet the social, health and well-being requirements of current and future residents, including *special needs* requirements;”

It is anticipated that the proposed incentives would assist in facilitating affordable housing City wide.

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Province's Long-Term Affordable Housing Strategy

Creating inclusive, complete communities with a broad mix and range of housing types is an important step to building Ontario's health and prosperity. The updated Long-Term Affordable Housing Strategy focuses on increasing the supply of affordable housing, supporting people, and ending chronic homelessness.

Hamilton Official Plan

The following Urban Hamilton Official Plan goals and policies strive to increase the supply of affordable housing in Hamilton:

Goals

- B.3.2.1.3 Increase Hamilton's stock of *affordable housing* of all types, particularly in areas of the City with low levels of *affordable housing*.
- B.3.2.1.4 Increase Hamilton's stock of housing for those whose needs are inadequately met by existing housing forms or tenure, affordability or support options.

Policies

- B.3.2.3 Many households in Hamilton cannot obtain housing that is *affordable* or appropriate to their needs. Households and individuals may be at risk of homelessness because of economic and/or personal circumstances where a level of support is required to live independently. Hamilton's aging and diversifying population has new and unique housing needs that cannot solely be met through current housing options. The City recognizes the importance of *affordable* housing and *housing with supports* in meeting the housing needs of those without the resources to participate in the private housing market.
- B.3.2.3.2 Where appropriate, assistance shall be provided, either by the City and/or by senior governments, to encourage the *development* of *affordable* housing, with priority given to projects in areas of the City that are lacking in *affordable* housing. City assistance may include selling or leasing of surplus City land or financial assistance.
- B.3.2.3.6 Investment in new *affordable* housing shall be encouraged by a coordinated effort from all levels of government through implementation of a range of strategies, including effective taxation, regulatory and administrative policies and incentives.

Housing and Homelessness Action Plan

In December, 2013, Council approved the City's 10-year Housing and Homelessness Action Plan (Action Plan) which is a strategic and implementation plan to address affordable housing and homelessness in Hamilton (Report CS11017(c)). The development of the Action Plan was informed by extensive community engagement and a comprehensive needs analysis that provides a framework to inform decisions about housing resource allocation in Hamilton.

The Action Plan sets out several strategies which are designed to address the supply, affordability and quality of Hamilton's affordable housing stock:

*Strategy 1.2: Explore the potential for new incentive and funding programs and expand and promote more broadly existing City incentive programs to increase the supply of affordable housing (e.g., capital grants / loans, tax deferrals, waived development and other charges, etc.).*

*Strategy 1.5: Explore the feasibility/further promote opportunities that exist in the Urban Hamilton Official Plan for density bonusing and use of Community Improvement Plans to offer other incentives for affordable housing.*

*Strategy 1.8: Advocate for changes to the City's and senior governments' surplus land policy to make surplus land available for affordable housing development at discounted or no cost.*

*Strategy 2.1 (a): Encourage mixed housing and mixed income development in all urban neighbourhoods by increasing opportunities for rental, social and affordable housing in areas that currently offer limited opportunities.*

*Strategy 2.1 (c): Encourage mixed housing and mixed income development in all urban neighbourhoods by exploring opportunities for social housing communities to redevelop to include a mix of new housing options.*

*Strategy 2.3: Increase homeownership opportunities for renters, including social housing tenants.*

*Strategy 2.8: Explore options that ensure social housing applicants and tenants have as much choice as possible.*

*Strategy 4.10: Adequately fund capital reserves for social housing based on Building Condition Assessments and Reserve Fund Studies.*

*Strategy 4.6: Increase the number of rental units that meet the needs of larger families.*

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*Strategy 4.9: Inventory, rate and increase the number of social housing units that meet the needs of persons with disabilities through existing and new housing opportunities.*

The following policies are applicable to a tailored affordable housing incentive package:

*Municipal Act, 2001*

Subsections 110(1), (6) and (7) authorize a municipal council to enter into agreements with certain organizations for the provision of municipal capital facilities for one or more of: (i) various forms of financial assistance; (ii) giving, lending, leasing or selling property; (iii) development charge exemptions; or (iv), exempting land from taxation for municipal and school purposes. This authority can be applied to various classes of municipal capital facilities, including municipal housing facilities.

The following policies are applicable to the creation of a CIP area:

*Planning Act*

The *Planning Act* (Section 28) allows municipalities that have provisions in their Official Plan relating to community improvement, such as the City of Hamilton, to designate by by-law a community improvement project area, and then to prepare a Community Improvement Plan (CIP) for the project area. A municipality may then make grants and loans, in conformity with the approved CIP, that would otherwise be prohibited under the *Municipal Act* (Section 106(1)), to the registered / assessed owners or tenants of land and buildings, or their respective assignees, within the designated project area. An amendment to the Community Improvement Plan requires a statutory public meeting with notice requirements in accordance with the *Planning Act*.

The recommended changes to the community improvement plan must be conducted in accordance with the *Planning Act* (Section 17 (15) (d) and Section 28) and the Public Participation and Notification Policies contained in the City's Official Plan, including a statutory public meeting and notice requirements.

Urban Hamilton Official Plan

F.1.15.1 Community Improvement shall be carried out through the designation, by Council, of Community Improvement Project Areas and through the preparation and implementation of Community Improvement Plans pursuant to the *Planning Act*. It is the intent of Council that the entire *urban area* or any part of the *urban area* as defined in this Plan, and as subsequently amended, may by by-law be designated as a Community Improvement Project Area.

- F.1.15.2 When designating Community Improvement Project Areas, one or more of the following characteristics may be present:
- a) building stock or property in need of rehabilitation;
  - b) buildings and *structures* of heritage or architectural significance;
  - c) encroachment of incompatible land uses or activities;
  - d) deteriorated or insufficient physical infrastructure such as, but not limited to, sanitary and storm sewers and water mains, public transit, roads/streets, curbs, sidewalks, street lighting and utilities;
  - e) deteriorated or insufficient *community facilities/services* such as, but not limited to public indoor/outdoor recreational facilities, public open space and public social facilities;
  - f) inadequate mix of housing types;
  - g) inadequate *affordable* housing;
  - h) known or perceived environmental contamination;
  - i) deteriorated or insufficient parking facilities;
  - j) poor overall visual amenity of the area, including, but not limited to streetscapes and urban design;
  - k) existing Business Improvement Areas or potential for inclusion in a Business Improvement Area designation, provided such designation is in conformity with the Niagara Escarpment Plan;
  - l) inappropriate road access and traffic circulation;
  - m) shortage of land to accommodate building expansion and/or parking and loading facilities;
  - n) other barriers to the improvement or redevelopment of underutilized land or buildings; or,
  - o) any other environmental, social, or community economic development reasons for designation.

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- F.1.15.3 Community Improvement Plans shall provide direction regarding the application of one or more of the following:
- a) allocation of public funds such as grants, loans or other financial instruments for the physical rehabilitation, redevelopment or improvement of land and/buildings;
  - b) municipal acquisition of land or buildings and subsequent land clearance, rehabilitation, redevelopment or resale of these properties or other preparation of land or buildings for community improvement;
  - c) encouragement of infill and rehabilitation where feasible;
  - d) promotion of historic preservation through the appropriate local, provincial and federal legislation;
  - e) promotion of the viability of Commercial areas through the establishment and support of Business Improvement Areas;
  - f) other municipal actions, programs or investments for the purpose of strengthening and enhancing neighbourhood stability, stimulating production of a variety of housing types, facilitating local economic growth, improving social or environmental conditions, or promoting cultural development; and,
  - g) Identification of *cultural heritage resources* which shall be, wherever possible, conserved through appropriate adaptive reuse and alterations. Demolition of heritage structures shall be discouraged.
- F.1.15.5 Council shall determine the priorities and sequences in which designated Community Improvement Project Areas shall have individual Community Improvement Plans prepared.
- F.1.15.6 Any Community Improvement Plan shall endeavour to co-ordinate individual initiatives to improve properties with municipal actions to upgrade physical infrastructure and community services, and promote new types of housing.
- F.1.15.7 Council shall be satisfied that community improvements are within the financial capability of the City.

On the basis of the above, it is considered that the creation of an incentives program geared towards encouraging sustainable, mixed income developments implements provincial and local policy direction.

### **RELEVANT CONSULTATION**

- Housing Services Division;
- Finance and Administration; and,
- Urban Renewal.

### **ANALYSIS AND RATIONALE FOR RECOMMENDATION**

The project currently consists of developing upwards of 400 multiple density residential units, predominately in the form of townhouses, with potential for a rental multiple dwelling geared towards seniors within proximity to Queenston Road. Currently the lands accommodate the former Roxborough School (on the lands owned by RPI) and 91 Rent Geared to Income townhouses and 16 market apartments (one bedroom) on the lands owned by CHH.

The Roxborough development would be an appropriate candidate for an incentive demonstration project. It is a large (approximately 4.5 acres) contiguous piece of property that if combined with the existing CHH lands (approximately 8 acres), could enable the revitalisation of existing subsidized units within a larger mixed income development. The lands are currently underutilized and appropriately suited to take advantage of intensification. The lands are serviced by existing and future transportation infrastructure and are also designated for residential development within the Urban Hamilton Official Plan.

Another matter which lends itself to the appropriateness of this project for demonstration purposes is the existing Roxborough Park immediately to the north. Discussions are underway to co-ordinate park enhancements with the proposed development. Such co-ordination would not only result in public realm improvements for the wider area, but also create more enhanced amenity space that could foster increased community interaction.

Additionally, work is underway on the development of a Community Hub within the former St. Helens School site also located within the McQueston neighbourhood. While this is a separate process and still in the development stage, future community hub uses may provide important community supports for the residents of the Roxborough development creating a more sustainable and complete community.

As there are current residents in the existing units transition issues must be considered. One of the proponents (Effort Trust Property Management) currently has access to a large inventory of rental properties within the immediate and wider local area. This

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inventory creates greater options for the residents currently residing in the CHH units, should the plan proceed and temporary relocation be required in the short or long term. Finally, given that the former school site is vacant, development could also be phased, with the first phase of development on the school site housing those needing to be relocated from the existing units. These transition details would be assessed and developed through resident consultation and ultimately determined through the transition plan that would require ministerial consent.

Through initial discussions about this demonstration project, a number of core principles were developed by staff in order to ensure the development satisfied current policy requirements, and demonstrated a meaningful approach to sustainable, inclusive community building that prioritizes affordable housing. These core principles are as follows:

- Maintain Current Service Level Standards – how this would be achieved would be defined through the development process but at least the same number of subsidized income units currently owned and operated by CHH would be maintained. This is a provincial requirement;
- Net increase in the number of units (both affordable and market) to deliver a complete and efficient development;
- Significant Intensification of the Lands, which are currently underutilized to meet housing needs, efficiently use the lands and create a complete community. This complete community will take advantage of the existing and future services, infrastructure and parkland;
- Achieve Income Mix – deliver a spectrum of units that provides a range of housing options for all community members, including households with incomes below the 40<sup>th</sup> income percentile (i.e. deeper affordability);
- Tenure Mix – deliver both ownership and rental units, ensuring a mix of housing options;
- Quality Design – the goal would be a seamless array of housing forms, both market and affordable defined by a consistently high quality of design;
- Mix of Unit Sizes – Ensure a range of housing needs are met through a variety of unit sizes, including for large families;
- Accessibility – ensure accessibility needs are met through application of the City's Barrier Free Design Guidelines;
- Length of Affordability – ensure affordability is maintained over the long term; and,
- Capacity Building – providing the opportunity to include community supports with the housing.

Whereas the above principals are responding to the specific needs of the subject lands, it is considered that in general, this approach to mixed income development, particularly when it involves sites that currently accommodate subsidized units, would be applicable on a broader City Wide basis.

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To facilitate delivery of the above principles and the demonstration project in general, staff is preparing a development strategy. The strategy has been divided into several separate but related plans and processes.

### **Roxborough Development Strategy**

**CHH lands Acquisition** – Following the Motion by Cllr Jackson at the CHH Portfolio Management Committee meeting on September 16, 2016, staff have been directed to work with CHH and RPI to finalise the conditions and outcomes necessary to facilitate the redevelopment of the CHH and RPI lands with the intent of creating an inclusive mixed income community. The applicants have retained the services of housing consultant (Tim Welch) who has experience in social housing matters. Part of this discussion includes the creation of a letter of intent, which is discussed later within this Report and forms part of Recommendation (b).

**Incentive Package** – As detailed within this Report, the potential range of direct and indirect incentives available will be explored through consideration of this as a ‘Demonstration Project’. The range will include the assessment and implications of opportunities to provide incentives through the Municipal Facilities By-law / Development Charges By-law / Parkland Dedication By-law, as well as changes to other financial programmes. A review of potential Development Charges demolition credits, expansion of the ERASE program beyond existing eligibility incentives, and planning and building permit fee waivers will all be reviewed holistically to determine the feasible options available.

**Phasing Plan** – One of the more significant opportunities with the RPI proposal is the ability to phase development in order to facilitate a logical and less disruptive transition of existing residents (given the availability of the school site for phase one development). The phasing plan will be developed and integrated into the requirements of the transition plan.

**Transition Plan** - This is the more formal process that will have to be approved by the Province through the ministerial consent process. Staff with CHH and RPI will review to determine the timing and next steps of this process. Much of this is contingent on finalizing the other matters listed above.

**Communications Plan** – Given that this is a new type of development and approach in Hamilton, clear concise communication with both media and residents will be key. A clear plan and point person to co-ordinate and deliver information will be determined. Tenant involvement and engagement will be a key requirement going forward.

**Park Enhancement** – The demonstration project provides the opportunity to co-ordinate park enhancements. Understanding the importance of shared public space in successful mixed income developments, in addition to fact that the current park

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immediately adjacent the subject lands is in need of some enhancement, efforts to co-ordinate the timing and implementation of these improvement will be made. A park masterplan and design process is currently underway and in the early planning stages. As details are formulated, they will be incorporated into the precinct plan discussed below.

**Precinct Plan** - Precinct Plans will be established with the aid of the proponents to determine the location, scale and character of blocks and streets, type and amount of development, building heights and any enhancements to parks and public spaces.

**Rezoning / Draft plan of Condominium / Site Plan** – the residential intensification of the lands is one envisioned and encouraged in the Urban Hamilton Official plan. The main issue with this process is the co-ordination and resolution of the other matters listed above. Until these matters are adequately addressed, the ability for the proponent to approach the development comprehensively is precluded.

This Report focuses on the delivery of the incentives package. In response to the incentive package component, as detailed earlier, two approaches have been considered and evaluated below.

#### Community Improvement Plan

As the scale of incentives is gradually being reduced in accordance with the Downtown Hamilton CIPA, an opportunity exists to transition the focus of public attention on local priorities such as the McQueston Neighbourhood and others like it. The CIP approach would allow the City to target areas in transition or in need of repair, rehabilitation and redevelopment.

Former institutional sites in particular, which by design are often larger contiguous sites that are underutilized and/or which have become vacant, pose particular challenges for redevelopment in some neighbourhoods. Where the cost of new construction, including all applicable fees, is at or greater than the local housing market, the perceived financial risk of redevelopment of such sites can discourage development. This is often further compounded when such sites, due to previous uses and or construction material, require costly remediation to permit more sensitive land uses such as residential. Left vacant and underutilized, these sites can have a destabilizing effect of the balance of the neighbourhood, further discouraging investment and redevelopment.

As such, the prospect of creating and defining CIPAs for these ‘Institutional Bluefields’ within the McQueston Neighbourhood and other similar neighbourhoods, could facilitate and encourage community change in a coordinated manner and similarly stimulate private sector investment through municipal incentive-based programs. Beyond just the provision of affordable housing, areas such as the subject lands could provide the opportunity for creation of a development catalyst, stimulating investment in an area that

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has seen limited development in recent years. A new CIP for such 'Institutional Bluefields' would have a residential focus, with economic benefits to the City occurring mostly through increased tax assessment as a result of intensification.

The process to develop a CIP however, is extensive and not necessarily as expedient or as responsive as is needed for a demonstration project. Furthermore, the existing CIP model would extend an array of incentives beyond just those promoting the creation of affordable housing. The applicability of these individual program elements would have to be assessed and reviewed given the predominately residential nature of these types of areas.

On this matter, staff has recently concluded a lengthy review of the current CIP areas. In 2015, staff commenced the Five-Year Review of the Downtown and Community Renewal and Community Improvement Plan (CIP). This process involved a formal review of policies, programs, boundaries and incentives; it also involved comprehensive consultation and engagement with other City Departments, Councillors, agencies as well as the development industry, residents and neighbourhood associations and groups. Section 8.3.6 of the Downtown and Community Renewal CIP (May 2016) addresses the topic of affordable housing. This Section highlights the co-operative approach to addressing an affordability component within the existing financial incentives that could be funded by Housing Services and administered through Urban Renewal. This would apply to the Hamilton Downtown, Barton and Kenilworth Multi-Residential Property Investment Program and the Commercial Corridor Housing Loan and Grant Program.

On May 11, 2016, amendments to the Downtown and Community Renewal and Community Improvement Plan were approved by the City of Hamilton. As part of the CIP approval process, Council passed the following Motion:

*“That the appropriate staff be requested to meet with the Delegate (Sergio Manchia) to further discuss his concept respecting an additional consideration to the CIPA which is not to focus only on the BIA’s and commercial corridors, but also pockets of underutilized / derelict properties in the lower City that would be suitable for redevelopment / Intensification and consider ways to extend CIPA’s to those areas and to engage with other developments, property owners, business owners and community associations, as necessary and report back to a future Planning Committee meeting with a recommend option for implementation.”*

With respect to the expansion of boundaries for the purposes identified in the motion, it is noted that such a process would require additional municipal funding or budgetary implications and further municipal processes.

Should staff be directed to proceed with the establishment of a new CIPA on the basis of a demonstration project, the following process would need to be conducted

- As is required with all newly proposed and extended CIPA's staff would first require identifying existing issues and research the reasons why the problems need resolving;
- The solutions would be in the form of public and economic benefits that would form the desired outcomes;
- As part of the process staff would generate a description of the community improvement plan study process and propose a boundary of the community improvement project area; and,
- Once established, the criteria used for project selection would be justified through administration of the study, including departments responsible for preparing the community improvement plan, project timelines, resources needed and financial/budget implications.

In terms of funding, while there may be a logical option to consider transferring the 'opportunity cost' being incrementally withdrawn from the current CIP, it is noted that while successful, the current CIP has yet to fully achieve its end results for the Downtown, the commercial corridors and the community downtowns. At this time, significant transition outside of the current CIPA boundaries may be considered premature until such time as further incremental transition occurs in the current programming for the CIPA. In the absence of transferring current funding directed towards the existing CIPA a new sustainable funding source would need to be identified.

Under the *Planning Act*, and UHOP the creation of a new CIPA would also be subject to public consultation and subject to appeal. Given the comprehensive nature of the process, the timelines would be approximately 12-18 months with additional time required should the process be appealed to the Ontario Municipal Board.

The Province of Ontario is currently updating the Long-Term Affordable Housing Strategy. Earlier this year the Province announced an investment of \$178 million over three years, acknowledging a long-term commitment to stable funding that will continue transformation of the housing system. They further acknowledge a plan to invest up to \$100 million in operation funding, and supporting the construction of up to 1,500 new supportive housing units for the long term, with operating assistance eventually assisting up to 6,000 households. The Province advises that these updates will be unveiled in 2017. Until the outcome of these updates are provided and further reviewed and assessed by the City, staff does not recommend a site specific or City Wide affordable housing CIP as a preferred option at this time.

Affordable Housing Demonstration Project

Unlike the approach discussed above, a package of incentives could be created to specifically encourage mixed income development projects. The approach would review the ability to apply incentives only currently applicable to housing developments that contain affordable housing as defined by the Municipal Capital Facilities By-law. The demonstration project would seek to extend the eligibility and widen the definition of an affordable housing development to include varying levels of affordability.

The extent to which units would be eligible would be dependent on the amount and type of affordable housing being provided. Clearly careful application of this approach would need to be established to ensure the incentives apply only to those developments that create meaningful affordable housing options. As a demonstration project, a robust review and defensible rationale must be created to ensure 'bonusing' does not occur. However, through the use of pilot projects as part of the outlined ERASE program, it is possible to develop a program that complies with all applicable requirements and enable staff to assess and modify the scope of said programs before making any recommendations on how to proceed. Discussions with staff from legal services and finance administration are required to ensure this is the case.

It is suggested that for the purposes of a demonstration project only, such options be explored, contingent on the creation of a mutually agreeable outcome between the City, CHH and the proponent. The package would potentially consist of one or more of the following:

*Development Charges (DC)* – consideration of opportunities for full or partial DC reductions for units defined as both affordable as well as for market units. The extent of the DC waivers would in part be contingent on the amount and definition of affordable housing created. Such options include consideration of extending DC demolition credits based on the subject lands previous uses. On this basis, DC demolition credit could be provided to the market units based on the demolition of the school and existing CHH units. Currently DC credits do not exist for either institutional sites such as schools or subsidized units as these units were originally exempt from DC charges. However, consideration of this could be made for the purpose of this demonstration project, allowing the market units to benefit from associated credits.

*Parkland Dedication* – Similar to that of DC, consideration of full or partial Parkland dedication reductions for units defined both as affordable, as well as, for market units will be explored. The extent of the Parkland waivers would be contingent on the amount of affordable housing created.

*Tax Waivers* – applicable only to the units that are affordable, the waivers would increase the affordability of the unit. Staff may review what constitutes affordable in terms of definition, in order to potentially expand the eligibility of those units priced below market level.

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*ERASE Program* – Urban Renewal Section is undergoing its Five-Year Review of its Environmental Remediation and Site Enhancement (ERASE) Community Improvement Plan. The ERASE boundary is consistent with the existing urban boundary of the City. Staff believes that there is an opportunity through this process to help with revitalization of former institutional sites. Staff will be recommending a new initiative which will assist with site remediation. This initiative will focus on financial assistance related to Designated Substances under O.Reg 490/09. Since many former institutional sites are being decommissioned and sold for the redevelopment of more sensitive land uses, demolitions become costly as they require the safe removal of above ground contaminants. The proposed program can assist in the removal of such substances which may include but not be limited to such things as asbestos or lead. The ERASE CIP Five-Year Review staff report and respective recommendations will be going forward to Council in Q1 of 2017. The exception can be made that any current institutional sites under redevelopment can be made retroactive to December 2016 to benefit from this incentive, based on a request to the Urban Renewal Section.

*Planning Fee Reductions* – for the purposes of the demonstration project, planning fees could be waived with respect to the development.

*Building Permit Fees* – Under the provisions of the *Planning Act*, building permit fees must be received. Additional funding sources could be identified to cover the fees in part or in total.

In terms of process, staff would seek to work within the existing by-laws, exploring the range of credits and fee waivers that could be applied based on the above approach. These options are to be reviewed in addition to the other mentioned options and a report prepared for Committee making recommendations on the feasibility and applicability of potential incentives.

Through this process, staff would have to be satisfied that an unsuitable precedent is not established, ensure the incentives do not constitute ‘bonusing’ and that a meaningful approach to affordable housing development is secured.

In terms of funding, there are various funding options for affordable housing that could be potentially applied depending on the form and type of development that can be secured. Review of these options would be investigated and discussed through the future consideration report. Furthermore, it is noted that through the intensification of the lands, the ‘opportunity costs’ that would be used to incentivise the development would be offset through the increased tax assessment.

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Letter of Intent

Finally, while this Report focuses on the review of financial incentives, it is noted that in order to determine the specific densities, form and tenure of the units and ultimately the amount and type of affordable housing, the next steps will involve detailed planning review, consisting of substantial engineering, legal and financial costs. The proponent is willing to prepare these studies on the basis of a comprehensive plan including both the parcel of land they own and the CHH lands, but is requesting that a Letter of Intent be prepared and executed between themselves and CHH. This will provide RDI with a level of commitment necessary to make the financial investment into the comprehensive project.

This development of a Letter of Intent is contained in the Recommendation Section within this Report.

Conclusion

The consideration of incentives to encourage the development of affordable housing projects would be consistent and conform to the relevant policies detailed above. The comprehensive redevelopment would likely provide a catalyst for further investment within the area, increase the existing tax assessment base and replace subsidized units in need of significant capital repairs.

In terms of suitability, it is considered that for the purpose of a demonstration project, the package approach would be more appropriate. The package approach would require less comprehensive examination, provide more tailored incentives, and, could be implemented sooner.

Furthermore, if successful, it could be more rapidly expanded City Wide and would not be subject to the extensive approach that would be required for the creation of CIPAs. This degree of responsiveness would arguably be more appropriate in the creation of mixed income developments, particularly as it would be applicable in all areas of the City and not just areas which are in need of rehabilitation. As such, mixed income sites within all areas of the City would be encouraged and potentially create greater levels of integration.

**ALTERNATIVES FOR CONSIDERATION**

That staff be directed to prepare the necessary arrangements required to facilitate the establishment of a CPIA consisting of the lands identified within this Report. This option is not recommended due to the length of time and unanticipated staff resources that would be required.

**ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN**

**Economic Prosperity and Growth**

*Hamilton has a prosperous and diverse local economy where people have opportunities to grow and develop.*

**Built Environment and Infrastructure**

*Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.*

**APPENDICES AND SCHEDULES ATTACHED**

N/A

JE/JM/mo