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Building Affordable Housing in the GTA

The Builder / Developer Perspective

Summary of the Building Industry and Land Development
Association (BILD) Roundtable with Industry, Government
and Non-Government Sector Experts



BILD[®]

Acknowledgements

BILD is grateful to the more than 60 participants, including representatives from the industry and not-for-profit sector and our government colleagues, who attended the roundtable. We sincerely thank each of them for sharing their experiences and ideas and for generously giving us a half a day of their time. Special thanks go to keynote speaker Tom Bledsoe, President and CEO of U.S.-based Housing Partnership Network, for setting the stage for a lively, thoughtful and forward-looking discussion. We would like to show our appreciation to Ene Underwood, Jo Flatt, Michelle German and Adaoma Patterson for their great job facilitating table discussions, and to Linda Weichel at CivicAction for assisting us in finding facilitators.



Daniels Spectrum, Toronto, Ontario
June 24, 2016



THE ROUNDTABLE BROUGHT TOGETHER MORE THAN 60 EXPERTS TO FIND SOLUTIONS TO THE SHARED CHALLENGE OF AFFORDABLE HOUSING IN THE GTA.



RISING TO THE CHALLENGE: TRANSLATING TALK INTO ACTION ON AFFORDABLE HOUSING

NOW IS THE TIME FOR ACTION ON AFFORDABLE HOUSING, AND IT STARTS WITH COLLABORATION AND PARTNERSHIPS

BILD Chair, **Steve Deveaux**, opened the roundtable and said the shortage of affordable housing has become a pressing issue in the GTA and one that all governments are actively working on. The home building and development industry is committed to being part of the solution, but he cautioned, the industry cannot solve the

affordable housing problem alone; government leadership and partnerships are key.

Building on the partnership and collaboration theme, Deveaux introduced the event's keynote speaker, **Tom Bledsoe**, President and CEO of the U.S.-based **Housing Partnership Network**. His organization is comprised of 100 of the leading not-for-profit affordable housing developers, lenders and owners in the United States who, combined, developed or



maintained nearly 370,000 affordable homes representing a \$1-billion community investment. His key message was to pursue and strengthen partnerships among for-profit and not-for-profit developers, and levels of government. “Do not be in competition with each other,” he said. In his experience, affordable housing gets built when there are mutual wins for the development sector, government and those needing affordable homes.

THE ROUNDTABLE DISCUSSION WAS POSITIVE AND ACTION-ORIENTED, AND POINTED TO THE POLICY, FINANCE AND IMPLEMENTATION APPROACHES NEEDED TO GET AFFORDABLE HOUSING BUILT

Following the informative and thought-provoking keynote, participants broke off into small groups to discuss in detail specific issues and priorities related to policy, finance and implementation aspects of providing affordable housing. Led by a facilitator, each group spent 30 minutes on each theme and then reported its top points to the larger group. The smaller discussions created an effective dynamic, where the complexity and range of the participants’ perspectives and experiences generated an abundance of issues and solutions in each theme.

The key points emerging from the group discussions included, that:

- Policies should be outcome-focused, and include clear housing targets with a “basket of tools” to achieve them.
- Governments must have “skin in the game”, including direct investment and other incentives to support for-profit and not-for-profit projects.
- New and stable sources of capital are required to start up and sustain projects, including an “equity pool”.

- Inclusionary zoning should be just one of many tools available, and should not be mandatory.
- Political leadership and public awareness are essential for creating a “cultural shift” to counteract NIMBYism against affordable housing.

What follows in this report is a more in-depth summary of what was shared, and considered to be important steps forward, by the roundtable participants.

MOVING FORWARD: “WE ARE ALL IN THIS TOGETHER”

BILD President and CEO, **Bryan Tuckey**, concluded the event and reiterated the partnership theme. “We are all in this together” and federal, provincial and municipal governments must be active partners with the industry, to provide financial leverage and certainty, he said.

Incentives come down to making the numbers work on a financial basis, he added. “Figure out the numbers, and they need to come to a plus.”

Affordable housing is a growing problem in the Greater Toronto Area (GTA) that must be talked about, and acted on, collaboratively and constructively in order to bring about lasting solutions.



KEYNOTE ADDRESS

Building Affordable Housing: An International Perspective

TOM BLEDSOE, PRESIDENT & CEO, PARTNERSHIP NETWORK

The event opened with a keynote address by **Tom Bledsoe**, chief executive officer of the U.S.-Based **Housing Partnership Network**. He spoke to the American and other international experience in building affordable housing, and where and how the development industry has been successfully engaged. Highlights from the presentation included:

ABOUT THE HOUSING PARTNERSHIP NETWORK (HPN)...

- A peer-to-peer entrepreneurial non-profit organization comprised of 100 of the leading not-for-profit affordable housing developers, lenders and owners in the United States.
- Its members have, collectively, developed or maintained nearly 375,000 affordable homes for nearly 10-million people, representing over \$1-billion USD in community investment.
- Members develop both affordable rental and ownership housing.
- The HPN is a “sister organization” to Housing Partnership Canada, under the International Housing Partnership umbrella.

ON THE STATE OF AFFORDABLE HOUSING OUTSIDE OF CANADA....

- “A nationwide affordability crisis”: 1 in 6 of U.S. households spend 50 per cent or more of their income on housing, and 1 in 3 spend 30 per cent or more.
- Like in Canada’s major cities, housing is very expensive in the U.S. and is becoming even less affordable. In response, a “partnership approach” and “negotiated arrangements” are successfully taking hold between governments and the development sector, to build more housing.
- San Francisco is the most expensive market, where an average rent for a 2-bedroom apartment is \$4,650 USD (\$1,000 more than in New York City, which is the second most expensive U.S. market).
- The price of housing in London, U.K. has increased four-fold in the last 20 years.

WHAT IS BEING DONE ABOUT IT....

- Voters in San Francisco recently approved a ballot measure to require that 25 per cent of all new housing units be affordable.

Building Affordable Housing: An International Perspective

Tom Bledsoe
President and CEO, Housing
Partnership Network

June 24, 2016



- London, U.K. has the goal to create 50,000 new housing units in the next decade, of which 25,000 will be affordable.
- The New York City Mayor has a plan to build 200,000 affordable units in the next decade.
- Seattle has adopted the “Housing Affordability and Livability Agenda”, which includes the creation of 20,000 affordable units in the next decade.
- Inclusionary zoning is widely used as a tool to secure affordable housing.
- A voter-approved housing bond is another tool, and is widely and often used within California to raise capital for affordable housing projects. Once established, for-profit and not-for-profit developers compete for these bonds to build affordable housing units that meet specified criteria.

PERSPECTIVES ON INCLUSIONARY ZONING....

- Works best in a partnership environment, so that everyone gains: developers recover their investment; municipalities achieve housing goals; and lower income residents find adequate affordable homes.
- There need to be adequate opportunities to up-zone properties (i.e. achieve additional height and/or density).
- It is preferable to provide affordable units within market developments – to provide them where they are needed. If that is not a viable option for a particular project, then cash-in-lieu can be pursued.

OBSERVATIONS AND ADVICE FOR CANADA AND THE GTA....

- “Things are starting to align at the federal, provincial and municipal levels.” Now is the time to leverage the robust housing market to deliver affordable housing.
- It is more of a challenge in Canada for not-for-profit developers to raise capital, compared to the U.S.
- It is important to explore and strengthen partnerships among for-profit and not-for-profit developers, and levels of government – to not be in competition with each other.

WHAT WAS HEARD AT THE ROUNDTABLE DISCUSSIONS, AND EMERGING PRIORITIES

The small group discussions revolved around three factors that have a significant impact on the ability of the industry, both for-profit and not-for-profit developers, to provide affordable housing:

- 1) Policy
- 2) Finance
- 3) Implementation

The group facilitators asked a series of common questions, to focus the discussion under each theme.



Roundtable discussion participants and presenters.



Policy

The policy discussion covered a range of government policy including Ontario's proposed Promoting Affordable Housing Act, 2016 (Bill 204), which would enable municipalities to enact "inclusionary zoning", and municipal official plans and development approval frameworks. There were also suggestions for what the role of the Federal government could and should be, in anticipation a national housing policy or strategy. The discussion was framed around the following questions:

- What policies have worked in the past?
- What policies would encourage the industry to build more rental housing?
- What policies would encourage the industry to build more affordable ownership housing?
- What has worked locally?
- Are there policies/programs that work elsewhere that should be explored?
- What are the challenges with current or proposed policies?
- Where it works, what does inclusionary zoning look like?
- What other policy supports are needed to enable the development of affordable housing?

THE TOP PRIORITIES, RELATED TO POLICY, RECOMMENDED BY PARTICIPANTS:

- Policies should "set the tone" or the "conditions" for providing affordable housing, including **specific and measurable goals and outcomes** that specify how many affordable units will be created and the investment level required to achieve them.
- Rather than prescribing the use of specific tools, such as inclusionary zoning, policies should instead **establish a "basket of tools"** that could be used by municipalities, to best reflect local conditions and opportunities.
- "Affordability" needs to be more **fully defined**, to acknowledge regional differences in price, as well as aspects of **suitability** and **adequacy** of the housing provided.

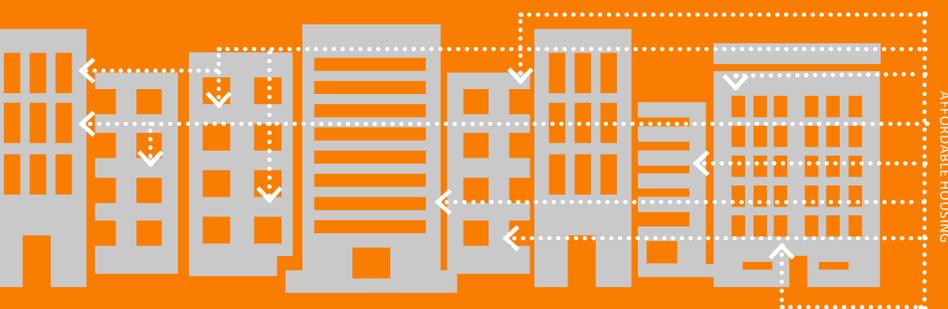
Inclusionary Zoning:

There was wide-ranging and in-depth discussion about inclusionary zoning throughout the roundtable. Inclusionary zoning is a planning tool widely used across the United States and other countries including the United Kingdom, that allows municipalities to require a specified number of affordable units to be provided within some or all proposed developments, as a condition of zoning approval. In most cases, such approval is required to “up-zone” a property to permit additional height and/or density.

In the GTA context, inclusionary zoning is currently not a tool available to municipalities. They currently rely on “development bonus” provisions under Section 37 of Planning Act and other negotiated arrangements to secure affordable housing that would otherwise not be provided, through the development approvals process. However, recent proposed changes to the Planning Act and other Provincial legislation under Bill 204 (Promoting Affordable Housing Act, 2016) would allow municipalities to enact inclusionary zoning provisions within by-laws, provided there are enabling policies added to the official plan.

The roundtable participants expressed general support for the addition of the tool, but there was concern about inclusionary zoning being the sole vehicle to provide affordable housing in the absence of additional sources of funding and support from the Province, and other levels of government. The majority of the participants said that inclusionary zoning should not be mandatory. Other comments expressed include, that inclusionary zoning:

- Could be seen as a downloading of responsibilities from the Province to municipalities and to the development industry (both for-profit and not-for-profit sectors).
- Will likely increase the cost of market housing units within a project, without financial incentives (e.g. waived or reduced charges) to offset costs.
- Must be accompanied by adequate up-zoning of properties by municipalities, especially within the City of Toronto.
- Needs to be coordinated with existing Section 37 requirements to prevent “double dipping.”
- Should be tested through an area-specific pilot project.
- Include a mechanism that determines how and where cash-in-lieu contributions, if applicable, will be used to provide affordable housing.



A planning tool widely used in:



UNITED STATES OF AMERICA



UNITED KINGDOM

The policy discussion covered a range of perspectives, which included that policies should: set the tone for government leadership; place a greater focus on outcomes, and; leave the details to municipalities. Other key messages heard about housing policy were, that:

- The current policy framework is limited to defining and monitoring the problem, instead of creating the conditions for change. Policies should help create a climate of change to support affordable housing.
- Affordable housing policies must be linked with other policies, especially those for intensification, employment and economic development.
- The larger aim of policies should be to break the cycle of poverty – providing more rental housing, alone, does not do this.
- The most detailed and prescriptive policies should be reserved for municipal official plans, and related documents and processes: keep the details at the local level.
- A GTA-specific housing policy is preferable to a province-wide approach. Province-wide policies for affordable housing are problematic, since they do not recognize or accommodate important regional differences including price, predominant housing trends and rates of growth.
- The forthcoming Federal housing policy or strategy should clearly define what “affordable housing” is, who it is for, specific housing targets, the financial and other incentives to be offered, and a very clear role for the Canadian Mortgage and Housing Corporation (CMHC).
- Different levels of “affordable” should be defined, based on different types of tenure, unit types, and geographic location.
- Language around “stable neighbourhoods”, currently within many GTA planning policies, should change to be more inclusive and to establish more appropriate expectations about vibrant neighbourhoods.
- Real-time market information, including price points, should be more fully integrated into the policy formulation and monitoring process. It is important to create and maintain “feedback loops” that connect policy and implementation.
- Monitoring should also include more coordinated data collection among agencies with inputs such as home-purchaser information, including whether or not they are an investor or end-user.



Finance

The finance discussions had a common, overwhelming theme: if the numbers don't work, affordable housing simply will not be built. Participants discussed a wide range of specific financial factors and tools including access to capital, taxes, fees, charges, and other tools such as grants and rebates.

The discussion was framed around the following questions:

- What financial incentives are needed to encourage builders to develop more affordable rental housing?
- What financial incentives are needed to encourage builders to develop more affordable ownership housing?
- What are the financial challenges to building affordable housing?
- What are some examples of existing or previous financial programs that have worked?

THE TOP PRIORITIES, RELATED TO FINANCE, RECOMMENDED BY PARTICIPANTS:

- Direct investment in affordable housing projects is critical. For example, government should establish an “**equity pool**” for the financing of new affordable housing projects, whereby **start-up capital** is provided for a specific project and then re-paid to the pool after completion.
- The non-profit housing sector needs to be better capitalized and supported within Canada, through a combination of **direct investment** and **partnership arrangements** with government and developers.
- **Affordable ownership** housing must also be considered, in addition to rental. However, affordable ownership does present challenges since the asset and equity would be transferred to an individual (e.g. mechanism needed to capture and re-distribute value, similar to the “Options for Homes” model).

The finance discussion covered a wide range of issues and approaches, that reflected the participants' diversity of expertise and experience. A strong message heard was that greater access to capital – money to invest in new housing projects – is essential, in combination with financial incentives to minimize risk and maximize reward. Other messages heard about financing affordable housing were, that:

- More research and testing should be undertaken regarding partnership arrangements – financial and otherwise – to more fully support affordable housing projects, and emerging investors (e.g. for-profit and non-profit developers). This includes increasing for-profit developers' knowledge of working with not-for-profit developers.
 - Government-backed bonds and tax incentives are important for leveraging private capital and innovation. Pension funds and real estate investment trusts (REITs) should also be explored.
 - Banks and pension fund managers need to be brought to the table, and become part of the solution.
 - Government bodies, such as Infrastructure Ontario or Build Toronto, should become more enabling of affordable housing through a combination of land grants/sales and financial tools.
 - New financial incentives and tools should be tested through pilot projects. It is important to experiment to see what could be most effective. Governments have lead role in this.
 - The financial limits of high-need residents should be more directly reflected in price thresholds. For example, if a household has only \$400 to spend on housing per month, how can a home be provided for that amount?
- Development charges should not be flat for each type of residential unit (e.g. apartment), but be based location, size and price in order to create an incentive for affordable rental and ownership housing.
 - In addition to investing in or subsidizing projects, government should also consider providing “affordable housing allowances” or equivalent grants (e.g. for down-payment or monthly rent) directly to residents with low incomes and/or special needs.
 - Reduced, deferred or waived development charges and/or application fees are helpful, and should be more broadly applied to affordable housing projects.
 - The GTA experienced a boom in purpose-built apartment buildings in the 1960s and 1970s, attributed largely to special tax provisions that made it profitable. Such provisions should be re-visited to see if they could be effective in today's market.



Implementation

The implementation discussion was, literally and figuratively, about opening doors to affordable housing. As shared by the participants, important attributes of successful implementation include innovation, flexibility, partnerships, education, engagement and leadership. The discussion was framed around the following questions:

- How do we deal with long-term affordability?
- What is required for managing and supporting new affordable rental housing?
- How can we increase builder awareness and uptake of affordable housing programs?
- What supports are required to overcome the NIMBYism that usually surrounds affordable housing?
- What role should government play?

THE TOP PRIORITIES, RELATED TO IMPLEMENTATION, RECOMMENDED BY PARTICIPANTS:

- Affordable housing needs to be approached through a “**partnership lens**” involving federal, provincial and municipal government levels, and for-profit and not-for-profit developers. In particular, all three levels of **government must have “skin in the game”** (e.g. investment and/or incentives, staff resources, pilot projects, etc.)
- Municipalities should appoint an in-house “**Development Sherpa**” or other facilitator to shepherd affordable and rental housing projects through the development approvals process.
- More focus on **public education** is needed to counteract neighbourhood opposition – NIMBYism – to affordable housing. Opposition to affordable housing should be recognized as a form of discrimination.

The implementation discussion covered a range of perspectives, and perhaps heard the loudest was that leadership and flexibility are required to foster a climate of innovation and action. Other messages heard about affordable housing implementation were, that:

- Current frameworks (e.g. financing, approvals) are too risk-averse. Experimentation should be encouraged and supported to spur more supply and innovation.
- A “cultural shift” is required for affordable housing, including better public understanding (i.e. unbiased) and education (i.e. facts), and political leadership (i.e. do the right thing). Everyone must “own” the issue.
- Municipalities should establish an “affordable housing task-force” or equivalent leadership body to create a climate for better awareness, partnerships and innovation.
- Predictability of costs and approval timeframes must be built into the implementation framework, to provide certainty to developers and other investors from the very beginning.
- Development approval timeframes should be streamlined and should, ideally, be no more than 6-months.
- The relationship between developer and property manager should be more fully understood and explored, to identify ways to optimize current and prospective roles.
- Pilot projects should be more actively and frequently pursued, between government and industry.

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