

Region of Waterloo
Community Services
Housing Services

To: Community and Health Services Committee
Meeting Date: March 5, 2024
Report Title: Affordable Housing Policy and Program Incentives

1. Recommendation

That the Regional Municipality of Waterloo take the following action for preserving existing affordable housing in the private market and facilitating the transition of private market rentals into long-term affordable housing through acquisition as outlined in CSD-HOU-24-003, dated March 5, 2024:

- a) Direct staff to explore the creation of a Multi-Unit Rental Acquisition Program to preserve existing affordable housing in the private market and facilitate the transition of private market rentals into long-term affordable housing;
 - i. For staff to bring forward any recommendations to the Regional Council for consideration;
- b) Direct staff to work with the area municipalities to explore the creation of right of first refusal policy and identification of affordable housing at risk of loss; and
- c) Direct staff to work with area municipalities to create a Waterloo Region Housing Needs Assessment to inform a targeted affordable housing acquisition strategy.

That the Regional Municipality of Waterloo take the following action with respect to rental housing protections and tenant displacement as outlined in CSD-HOU-24-003, dated March 5, 2024:

- a) Direct staff to work with the area municipalities to explore the creation of renovation, conversion, and demolition rental housing protection policies;
- b) Direct staff to engage with service providers who support tenants at risk of or are currently experiencing displacement to:
 - i. Identify gaps in support of displaced tenants and for tenants at risk of experiencing eviction caused by renovation, demolition, or conversion;
 - ii. Develop potential solutions to fill gaps; and
 - iii. Bring forward gaps and potential solutions to the Regional Council for consideration.

That the Regional Municipality of Waterloo take the following action with respect to

advocating for the preservation of existing affordable housing as outlined in CSD-HOU-24-003, dated March 5, 2024:

- a) Request that the Government of Canada and the Government of Ontario establish acquisition programs that would support the acquisitions and renovations/conversions for all types of private market residential properties and other properties, to create new permanent affordable and supportive homes.

2. Purpose / Issue:

To identify potential policy and legislative incentives for preserving affordable housing in Waterloo Region, along with strengthening homelessness prevention within the Housing Stability System. Given the broad scope and complexity of potential policy directions available, this report will examine incentives related to acquisitions, rental housing protections, and related advocacy efforts. A follow-up report will come forward for consideration at a subsequent Community and Health Services Committee meeting reviewing further incentives related to parking reductions, divestment strategy, and Inclusionary Zoning.

3. Strategic Plan:

This report addresses Strategic Priority 1: Homes for All, under which we will move quickly to create affordable, accessible, and equitable housing; and invest in upstream solutions to reduce housing and economic precarity.

4. Report Highlights:

- Municipalities across Canada are losing affordable housing in the private market at a rate faster than affordable housing is being developed through national and provincial funding programs (Appendix A). Older buildings play a key role in the existing affordable housing rental market in the Waterloo Region, making both the preservation of these buildings and existing tenancy important for achieving more affordable market rents. Creating an incentivizing policy environment for affordable housing providers to expand and maintain properties with existing lower market rents (i.e., naturally occurring affordable housing) is fundamental for preserving this form of affordability.
- While incentives for affordable housing development are crucial for increasing affordable housing stock in Waterloo Region, the establishment of incentives focused on acquisition and rental market housing protections is useful for mitigating the current loss of affordable housing and preventing experiences of homelessness.
- Advancing the strategic objective of Homes for All requires coordination with the area municipalities, the implementation of Regional initiatives, and advocacy to the Federal and Provincial governments.
- Regional initiatives include a Multi-Unit Rental Acquisition Program, the development services team working with not-for-profits and community groups to facilitate development land readiness, and a property tax exemption program.

- Work with the area municipalities includes the Region supporting the creation of rental housing protection policies and assistance programs, exploration of right-of-first refusal policy, and creating a Waterloo Region Housing Needs Assessment to advance a targeted acquisition and development strategy. For intra-municipal work, the Region can take a facilitating role in the creation of these policies and an administrative role in the delivery and/or monitoring of the policies, as well as any programming created to support tenants.

5. Background:

In December 2023, Council directed staff to work with community and area municipalities to develop a suite of policy incentives supporting the creation of new affordable housing and/or for preventing the loss of existing affordable housing stock and tenant displacement in Waterloo Region; and to bring forward any further recommendations to Regional Council for consideration and approval (CSD-HOU-23-028). The current 10-Year Housing and Homelessness Plan requires the Region of Waterloo to identify targeted policies and incentives for private, public, and not-for-profit sector developers to create and maintain affordable housing stock (see Action 1.5) (CSD-HOU-19-20). The Building Better Futures initiative also commits to creating 2500 new affordable housing units by 2026.

Acquisition

National (Appendix A) and local accounts (Appendix B) detail that the outflow of affordable housing units being lost to the speculative housing market is greater than the inflow of affordable housing units developed. Acquiring and preserving naturally occurring affordable housing in the private market can aid in stopping the outflow of affordable housing units across Canada and in the Waterloo region. These units exist in the private market at rents below the average market rent, often in older buildings with long-term tenants. Acquisition programs are a missing piece to solving the housing affordability crisis as efforts to increase affordable housing through development will be lost unless the outflow of existing affordability is mitigated.

The Region of Waterloo can play a role in mitigating the loss of existing housing affordability in three ways:

- Creation of a Multi-Unit Rental Acquisition program to fund not-for-profits, cooperatives, Indigenous housing providers, and community land trusts to acquire existing affordable housing at risk of being lost to the speculative housing market;
- Work with the area municipalities to explore the creation of right of first refusal policies, which includes the identification of affordable 'at-risk' buildings and/or neighbourhoods informed by a Waterloo Region Housing Needs Assessment; and
- Establish a property tax exemption program enabled by designating a property

as a Municipal Housing Facility, to support housing providers to maintain existing affordable housing units and incent new developments to include affordable housing, further outlined in CSD-HOU-24-004.

These three directions can work together, while also following the Housing Assessment Resource Tools (HART) best practice guide for establishing effective acquisition strategies (Appendix C). The City of Toronto created a Multi-Unit Rental Acquisition program in 2021. The City of Montreal implemented a right of first refusal policy in 2016 that enables the municipality to have 60 days to acquire for-sale property at a matching offer. This results in either the property purchase by the initial interested buyer or the municipality— both scenarios provide the seller with the same sale value.

In 2023, the Federal government released the National Housing Accelerator Fund (HAF), a fund available to area municipalities to develop and implement initiatives aimed at increasing housing supply. The Region supported and assisted in the coordination of applications. Area municipalities in receipt of HAF are required to create a housing needs assessment (Appendix D). The Region of Waterloo can continue supporting area municipalities by creating a Waterloo region housing needs assessment. Such an assessment would produce a fulsome understanding of housing needs in Waterloo region and identify housing needs at the neighbourhood level, which can inform targeted incentives for meeting these needs through both acquisition and development strategies. A housing needs assessment can also be a tool for advancing geographic equity and resource prioritization across the region, as different housing needs are identified and responded to through both a region-wide and geographic-specific lens.

Alongside this work is the acceleration of attainable and affordable housing on municipal lands through intra-municipal work and supporting not-for-profits and community organizations in housing development, further outlined in PDL-ADM-24-001.

Rental Housing Protections

Rental replacement by-laws are an area municipal tool for mitigating the negative impacts of tenant displacement and eviction that come from rental housing demolition or conversion. Under the *Municipal Act, 2001* rental replacement by-laws may be enacted to prohibit and regulate the demolition or conversion of multi-unit residential rental buildings with six units or more. Currently, three municipalities in Ontario have enacted this: Toronto (2006), Mississauga (2018), and Oakville (2023).

A third tool for mitigating tenant displacement comes in the form of protections around rental housing renovations. The City of Hamilton's recent passing of a Renovation Licence and Relocation By-law provides a potential model for municipal innovation, as this by-law creates a mechanism for municipal monitoring of the issuance of N-13 notices to tenants (a notice to end tenancy because the landlord wants to demolish a

rental unit, repair it, or convert it to another use). Through this mechanism, the municipality can provide tenants access to a support program and ensure landlords uphold their responsibilities under the *Residential Tenancies Act, 2006*, and the by-law.

While these rental housing protection policies are area municipal tools, the Region of Waterloo can facilitate the establishment of rental housing protections by:

- Supporting the area municipalities in the creation of these policies; and
- Providing administrative support in the delivery and monitoring of these policies and any associated programs.

Advocacy

To complement local efforts, this report recommends advocacy to the Federal and Provincial governments to establish acquisition programs to allocate funding (through a combination of low-cost loans and grants) to support the purchase and renovations of existing rental properties by not-for-profits, cooperatives, Indigenous housing providers, community land trusts, and the public sector. Alongside this is advocacy for an increase to funding received through the Ontario Priorities Housing Initiative (OPHI) for rental-building maintenance. As acquisition becomes more common so will the need for increased funding for capital repair and maintenance work in affordable housing buildings, as the existing stock of “naturally occurring” affordable housing in Waterloo region is primarily buildings with pre-1990 construction dates.

By stacking government-funding programs, more properties can become permanent affordable rental homes, and deeper levels of affordability can be both preserved and created. Acquisition funding programs also support local rental housing protections as loss of “naturally occurring” affordable rental buildings due to sale and conversion, may lead to N-13 eviction and subsequent tenant displacement from both a building and neighbourhood, as tenants become less able to find affordable rents within their existing neighbourhoods as average market rent increases year over year.

The effectiveness of the Landlord and Tenant Board (LTB) has also compounded the adverse effects of affordable housing loss. Tenants and landlords are suffering undo stress, and losing tenancies or homes because of delays and inequities in the current “virtual-first system.” Advocacy is required for remedies that address the problems created when the LTB removed in-person services by making in-person services the default and not the exception, and for the implementation of actions that will be effective in reducing the backlog of applications since the onset of the COVID-19 pandemic. This includes returning to regional scheduling to support municipalities other than Toronto and Ottawa, and re-opening counter services to improve early intervention supports for tenants. Appendix E provides a full list of recommendations for the LTB provided by the Ontario Ombudsman.

6. Communication and Engagement with Area Municipalities and the Public

Area Municipalities: Staff continue to work with area municipalities through the Housing and Homelessness Leads Committee and the Intra-Municipal Affordable Housing Incentives Working Group (“Working Group”). This work includes communicating on initiatives, data sharing, and coordinating efforts and resources toward shared goals for addressing housing and homelessness. Staff regularly engage with area municipalities through the Working Group to determine the best way to incentivize the development, preservation, and acquisition of affordable housing. Should Council provide direction based on this report’s recommendations, communication will occur with area municipalities through these groups, as well as any proceeding intra-municipal work for these recommendations.

Public: In 2023, the Working Group conducted a survey to understand local constraints on affordable housing development (CSD-HOU-23-026). Constraints include a lack of integrated approach to incentives, public programming not being flexible in responding to rapidly changing markets, and incentives entangled in bureaucracy. These constraints informed the outlined policy and programs in this report.

The development of the Plan to End Chronic Homelessness continues with Lived Experts through the Social Development Centre’s Prototyping project and with Co-creators who consist of service providers and advocates. This process revealed a growing rise in tenant evictions for renovation, conversion, and demolition, and a lack of affordability becoming an increasingly common source of homelessness in Waterloo Region (CSD-HOU-23-024). Creating local rental housing protection policies and acquisition programs are pathways for preventing experiences of homelessness and further supporting existing eviction prevention provided by community agencies. This process has also demonstrated the geographic inequities within the Waterloo Region in terms of homelessness and affordable housing programming and support.

7. Financial Implications:

Financial implications will vary depending on the directions received. Staff will provide financial implications in follow-up reports related to acquisition and rental housing protections following Council’s direction.

8. Conclusion / Next Steps:

This report provides an overview of potential policy and program pathways the Region of Waterloo can pursue to advance the strategic priority of homes for all, which requires the preservation of existing affordable housing in Waterloo Region. Collaboration with the area municipalities for the creation and administration of innovative program and policy, along with the implementation of Waterloo Region programs are the two ways to incentivize acquisition and rental housing protection for affordable housing in Waterloo Region. Once Council has provided staff with direction, staff will work with area municipalities and the community to create the outlined policy and programs that work

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towards achieving homes for all. A forthcoming report to Community and Health Services Committee will further build on the outlined incentives within this report, and will provide recommendation and information on divestment strategy for Waterloo Region Housing single and semi-detached housing units, as well as intra-municipal work such as parking reductions for affordable housing development and Inclusionary Zoning.

9. Attachments:

Appendix A: [Updating Analysis on Erosion of Lower Rent Stock from 2021 Census](#) – Select pages

Appendix B: [Vital Signs 2023 Report Affordable Housing](#) – Select pages from pricing out prosperity

Appendix C: [How to Create a Successful Property Acquisitions Strategy](#)

Appendix D: [Housing Needs Assessment At-a-Glance](#)

Appendix E: [Administrative Justice Delayed, Fairness Denied](#) – Select pages

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