



Strategies for affordable housing in Hamilton's B-line corridor

Prepared for the Hamilton Community Benefits Network

Recommendations for equitable transit-oriented development.

Policies, processes, tools and strategies for all levels of government to build and maintain affordable housing in Hamilton's B-line Light Rail Transit Corridor.

Sam Nabi, B.E.S



Social Planning and
Research Council of
Hamilton



HAMILTON COMMUNITY
BENEFITS NETWORK
building capacity through building communities

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1 Introduction

This report brings together perspectives from housing providers, program managers, tenant advocates and real estate developers, while also considering academic and community-based research on the topics of transit, gentrification, displacement, and affordability. It is rooted in the experience and context of Hamilton residents, while taking lessons from other similar jurisdictions such as Waterloo Region and Toronto.

Academic research, media articles, as well as first-hand interviews were used to gather input from a wide range of sources. We thank all the participants who graciously provided their time to discuss the shared goal of creating and preserving affordable housing in Hamilton's B-Line Corridor. A list of references is available at the end of this report.

I would like to thank the following people who agreed to meet with me for interviews. Their experiences and insight across the housing continuum helped shape the findings and recommendations in this report:

- Al Fletcher, Manager, Investment in Affordable Housing/Neighbourhood Development, City of Hamilton
- Dr. Brian Doucet, School of Planning, University of Waterloo
- Chris Erl, Postdoctoral Fellow, Toronto Metropolitan University
- Greg Tedesco, Social Policy Analyst, City of Hamilton
- James O'Brien, Senior Project Manager Housing & Homelessness, City of Hamilton
- John Schuurman, Business Development Coordinator, Flourish
- Kumsa Baker, Director of Community Benefits Campaigns, Toronto Community Benefits Network
- Medora Uppal, CEO, YWCA Hamilton
- Michelle Diplock, Manager of Planning & Government Relations, West End Home Builders' Association
- Olivia O'Connor, Head Organizer, ACORN Hamilton
- Rudi Wallace, VP Grants & Community Initiatives, Hamilton Community Foundation
- Sean Botham, Manager of Development, CityHousing Hamilton
- Sean Ferris, CEO, Habitat for Humanity Hamilton
- Violetta Nikolskaya, Senior Analyst, Programs and Advocacy, YWCA Hamilton

While these interview subjects provided important input and context from their various perspectives, nothing in this report should be considered to represent their personal opinions or those of their employers.

This work builds on my report from 2011, titled "Affordability in Hamilton's B-Line Corridor", which was written while I was a Planning student at the University of Waterloo. During this time, I was employed in the City of Hamilton's LRT office and helped conduct public information sessions. I also surveyed the length of the proposed LRT route to identify sensitive land uses, and became familiar with the neighbourhoods along the B-Line corridor.

The recommendations from the 2011 report were focused on cost-effective interventions taking advantage of Hamilton's relatively cool real estate market. These included a land acquisition fund, tax increment financing, tax abatements for affordable housing, and waived parking requirements.

These strategies continue to hold relevance for preserving and creating new affordable housing. However, the increase in real estate investment and skyrocketing rents in Hamilton's housing market over the past 12 years means that these proposed interventions will be less effective than if they had been implemented in 2011.

I am grateful to the Atkinson Foundation, Hamilton Community Foundation, and the United Way of Hamilton Halton for providing funding to the Hamilton Community Benefits Network that made this report possible. I would also like to thank Ward 3 Councillor Ninder Nann's office for helping to fund this report.

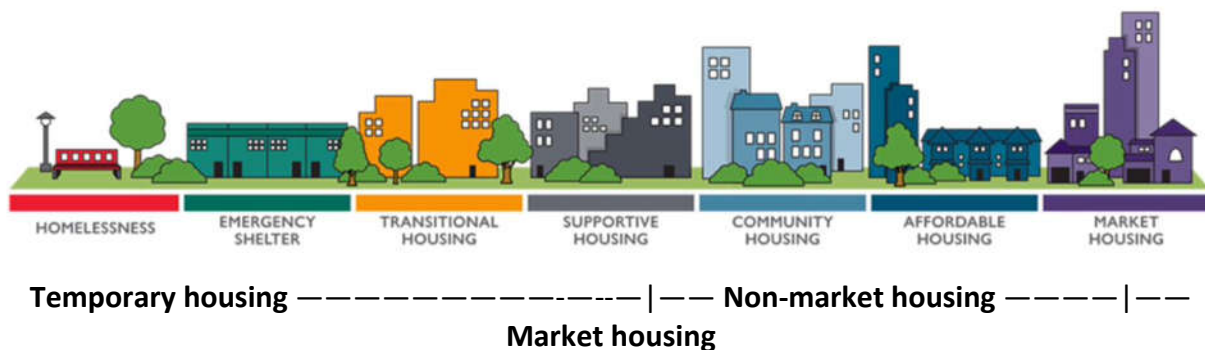
The purpose of this report is to propose a wide range of strategies and interventions that all three levels of government can employ to help preserve and create affordable housing in Hamilton's B-Line corridor. Some of these interventions require significant cooperation between levels of government; others can be achieved separately. While the scale of the housing and homelessness crisis looms large, there are tangible actions we can take to improve the experiences of Hamiltonians.

2 The housing continuum and affordability

The housing continuum is a concept used by policymakers to group different kinds of shelter. It typically ranges from homelessness on one end of the spectrum, to market-rate ownership housing at the other end.

For the purposes of this report, the distinction between renters and owners at the market-rate end of the continuum is not particularly important. What concerns us more is affordability: a homeowner with an unaffordable mortgage may not have as much housing security as someone who is renting in a home that is affordable based on their household income.

We have grouped the continuum into three sections (temporary housing, non-market housing, and market housing) to help categorize the different challenges they face, and policy interventions that may be needed to address each of them specifically.



Housing continuum categories for the purposes of this report

2.1 Temporary housing

This includes homelessness, emergency shelters, and transitional housing.

For residents at this end of the spectrum, encampment support and emergency shelters are necessary tools for harm reduction, but their place on the housing continuum should never be considered a permanent home. These are not long-term solutions for residents.

The United Nations describes the human right to housing as: "... shelter, a space to sleep in your own bed, with your own roof, a place where your person and possessions are safe is a human right."

Unfortunately, due to the lack of shelter beds and inadequate shelter accommodations, homelessness and encampments have become a larger part of the housing continuum in Canadian cities. Rather than criminalize residents who camp in parks, we should take a harm reduction approach that provides necessities such as water, washroom access, garbage collection, and fire safety equipment to these communities, while working directly with them to find appropriate shelter and housing options.

Other temporary housing providers (emergency shelters and transitional housing) are squeezed by the lack of non-market housing. This results in people needing to stay in temporary housing longer than necessary while they search for accommodation or spend years on the City's community housing wait list.

The COVID-19 pandemic exposed the cracks in mass shelter models. Sheltering people in communal rooms with little personal space, security or privacy was untenable in the face of a novel respiratory virus, and some shelter providers pivoted to repurposing unused hotels and other single-occupancy accommodations to keep people safe. This approach not only addressed public health concerns related to COVID-19 but provided residents with a more successful environment in which to seek stability, safety, and take steps to find a permanent home.

It costs less overall to keep people housed, when their situation is precarious, than to wait until they present at a shelter. Typically, case management supports are provided for up to five years. Other supports required depending on the resident could include childcare, transit, and transportation, advocating and navigating through bureaucracy, mediating relationships, and safety planning.

Currently there is little information gathered at the municipal level about how, when, and where residents are being displaced when they encounter housing supports. While details may be gathered for individual case notes, there is still a long way to go in understanding the broader patterns of displacement that may not show up in Census data.

There are intersections between people who use drugs and people who require emergency shelter or temporary housing. Addictions and mental health supports are required to successfully keep people housed. This could look like medical practitioners on site in a transitional housing environment providing care, support staff, case workers, or even safe consumption sites that are integrated into housing. YWCA's Safer Use Drug Space at Carole Ann's place is an example of this model in Hamilton.

The number of people who are precariously housed or homeless are now rising outside of Hamilton's downtown core. This is not necessarily due to a desire to be in other neighbourhoods, as people have services and communities they need to be in touch with close to downtown. There are conflicting pressures pushing and pulling residents: the preference to have peace and stability, versus the need to not be totally isolated. If a shelter is too far outside of the downtown, people will sometimes refuse to go there because transportation and access to system of support is too difficult.

2.2 Non-market housing

This includes supportive housing, social housing, community housing, cooperative housing, and any affordable housing operated by the state or a non-profit.

This category includes City-operated community housing (typically rent geared-to-income), co-operative housing, and housing operated by non-profits whose mandate is to provide affordable housing or supports.

These housing providers typically have a mission to provide affordable housing, and there is little risk of renoviction, demoviction, or above-guideline rent increases.

The main challenge for this segment of the housing continuum is to replicate the model and increase supply, as well as maintaining the supply of units that already exists. There are challenges with maintenance and upkeep due to chronic underfunding and an overreliance on individual fundraising efforts. Since the COVID-19 pandemic and subsequent economic downturn, charitable giving has dropped sharply across Canada. Furthermore, expiring capital funding agreements mean that some providers could cease operations, reducing the availability of affordable and supportive housing when the need keeps increasing.

Hamilton's Housing Needs Assessment states, "the large number of households on the centralized wait list for community housing, which indicates the existing stock of affordable and subsidized rental housing in Hamilton is not sufficient to meet the need in the community."

Affordable housing developers and non-profit housing providers can take advantage of multiple grant streams by going above the minimum requirements for energy efficiency, such as LEED certification. Non-profit housing providers such as YWCA and Indwell have achieved this. CMHA should further explore ways to combine environmentally friendly design choices with affordable housing. Some of the efficiency improvements will also help make operating costs more affordable in the long run.

A series of interviews conducted by Jennifer Craig and Mary-Elizabeth Vaccaro with women transitioning out of homelessness revealed that they did not necessarily want to live in the central core areas where they are visible in the community and where they have relationships with people who may pose risks to their well-being or compromise their safety.

Key considerations include a need for permanent co-housing, with independent space and privacy for residents, but with shared communal spaces that can facilitate peer support, especially for populations such as women and gender-diverse people who have experienced chronic homelessness. The physical design of the housing should prioritize safety and security, but it is also particularly important for the home to be located centrally enough to existing formal or informal support networks. The residents should be able to connect with the neighbourhood on their terms and have a safe and private living space that prioritizes security and independence.

Access to nature and green space was also listed as a major desire for women and gender-diverse folks who have lived experience with homelessness. Communal but private green space, such as community gardens in a co-housing model, can provide a dual purpose of privacy and community-building.

2.3 Market housing

This includes affordable and unaffordable housing in the private market, whether rented or owned.

Most housing falls into this category. It is a precarious and contradictory thing — Doucet illustrates this in an article titled *Housing is both a human right and a profitable asset, and that's the problem*: “To make cities affordable, upzoning will need to consist primarily of new social housing and other forms of ownership such as co-ops and rent-controlled apartments that are off limits to speculators.”

The main threats to renters in market housing are demovictions, renovictions, and above-guideline rent increases. For homeowners, a spike in interest rates and mortgage payments could also present challenges for those in low- or moderate-income households.

Market housing can be an important part of a non-profit housing provider’s portfolio. Victoria Park Community Homes is currently building 266 units of housing, at 80 to 125% of average market rent. About 100 tenants in other homes, who have been living in more supportive environments but can now manage their own, will move to these units and free up some of the space in Victoria Park’s more deeply affordable and supportive end of the spectrum.

High interest rates and the rising cost of land are current major barriers for increasing the supply of market housing.

3 Defining affordability

An honest definition of affordability must be anchored in residents' actual incomes, not the price of homes currently selling or renting on the private market. Using an income-based definition of affordability ensures that we create policies and programs based on peoples' financial means, rather than investment activity in an economic sector that is rife with speculation.

Hamilton's Housing Needs Assessment states, "In Hamilton in 2022, even the average condominium price would not be affordable to the majority of households with moderate incomes."

Interviews conducted with City of Hamilton planning staff, social profit enterprises, non-profit housing providers, and tenant advocacy groups found universal agreement that an income-based measure of affordability is the appropriate one. Generally, *affordable* means that shelter costs should not exceed 30% of a household's income.

The definition of Core Housing Need used by Statistics Canada takes a target of 30% of gross household income and compares it against both average market rate and a household's actual rent as part of the calculation to determine whether someone is in Core Housing Need.

In its 2022 report, the Ontario Housing Affordability Task Force stated, "People in households that spend 30% or more of total household income on shelter expenses are defined as having a 'housing affordability' problem."

The Affordable Housing Challenge Project advocates for a definition of affordability that is 30% of income for low- and middle-income renters, and that 50-100% of development on surplus public land should be set aside for affordable housing.

Conversely, not all of Hamilton's policies line up with this established consensus. Hamilton's Municipal Housing Facilities By-law includes a definition of "affordable housing" that only includes market-based targets. This should be removed and replaced with an income-based measure.

The City of Hamilton's Housing and Homelessness Action Plan contains two different definitions of affordability: One that is an income-based definition and another that defines *affordable* as "125% of the CMHC average market rent". These two definitions are incompatible and there is no direction given for how to decide which definition to use in a given context.

Ontario's recent changes to the Provincial Policy Statement, as well as measures contained in Bill 23 and Bill 97, eschew the long-standing income-based definition in favour of a market-based one. It re-defines *affordable* as 80% of average market rent. This is the wrong approach and does nothing to measure a household's ability to afford shelter. This approach is at odds with the way that service managers, housing providers, and tenants themselves define housing affordability.

There has been much confusion about the definitions of terms such as “affordable housing”, “housing affordability”, and “attainable housing” over the years. The Province’s messaging around Bill 23 interspersed these phrases without clearly defining how they differ from one another. While it has announced plans to develop a “standardized approach to determining an affordable price or rent”, the Bill’s definitions only define affordability based on a target of 80% of market rate. There is no affordability definition based on income, contrary to the analysis of its own Housing Affordability Task Force and the best practices of municipalities and housing providers.

It would benefit all housing providers, governments, and residents to have a clear and transferable definition of affordability grounded in household income. Based on the examples provided above, as well as the experience of Hamilton housing providers, it must be based on 30% of household incomes, rather than a market-based measure.

The general public is skeptical of the effectiveness of the Province’s policies in Bill 23 and related measures. 79% of those surveyed in a random sample of Ontarians by SPR Associates believed these measures would have no impact on affordable housing. Ontario’s recent moves to re-define affordability has not garnered the confidence of the population. It isn’t only housing and environmental advocates that disagree with this approach: only 17% of planners and 10% of professional civil servants believe affordable housing could result from these Provincial changes.

3.1 Considering geographic disparities when defining affordability

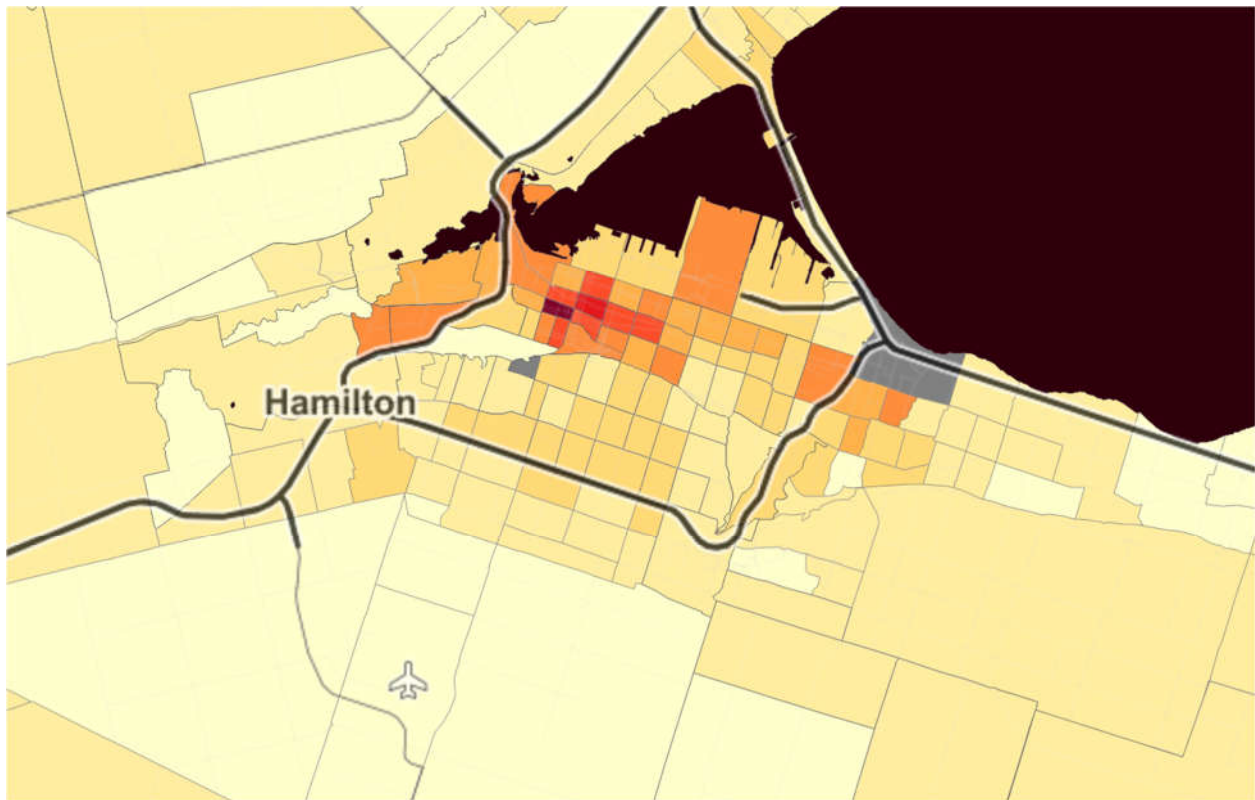
What is considered *affordable* can also look different depending on a household’s demographics and the type of housing that meets its needs. It makes sense that an affordable rent for a low-income household is different than what a high-income household can bear. There are also geographic differences in incomes within a given real estate market area. In areas along the B-Line where gentrification and displacement is happening most rapidly, the average household income is lower than that of the city as a whole.

As transit station areas are targeted for redevelopment and an influx of higher-income residents, the definition of affordable needs to be updated to be more granular, and to focus on average incomes in smaller geographic units, such as Census Tracts, instead of the entire city-wide rental market.

Thus, when creating strategies to preserve or build new affordable housing along the B-Line corridor, the definition of *affordable* ought to be tailored to incomes in this specific area, not just for the city as a whole.

For example, in the 2021 Census, the median household income in Census tract 0037.00 (parts of Durand/Kirkendall North/Strathcona) was \$32,400. In tract 0017.00 (Kirkendall South/Chedoke Park), median income was over four times as much, at \$141,000. For the city as a whole, the median household income was \$86,000.

For a home to be considered affordable for the average household of tract 0037.00, it would have to cost \$810 per month or less, whereas an affordable rate based on the city-wide household income would be \$2,150.



Prevalence of Low Income (LIM-AT) by Census Tract, 2021 Census (censusmapper.ca)

3.2 Defining affordability for residents receiving income support

Residents who receive income support from Ontario Disability Supports Program (ODSP) or Ontario Works (OW) are allocated a shelter allowance between \$375 and \$522 per month. This money cannot be used to pay for expenses other than rent. If their landlord does not collect the full amount, the remainder is forfeited. This creates a de facto minimum rent for charitable and supportive housing providers and represents a cash transfer from the Province to non-market housing providers. While some ODSP/OW recipients live in private market housing, the shelter allowance isn't enough to cover private market rent in Hamilton, especially for new leases. Even if an ODSP recipient used their entire basic needs allowance combined with the shelter allowance, leaving nothing for other living expenses, the income would still not be enough to afford rent in most cases.

Many supportive and charitable housing providers set their rental rates no higher than the shelter allowance amount, so as not to burden their tenants and to meet their charitable objectives. If the Province increased the shelter allowance, it would disproportionately benefit charitable housing organizations and help them better cover their operating expenses.

Rent-geared-to-income (RGI) housing represents the vast majority of tenants living in social housing. In these homes (e.g. community housing units operated by CityHousing Hamilton) rent is calculated as 30% of gross monthly household income before tax. RGI homes guarantee permanent affordability for a household based on their ability to pay.

Results of consultations outlined in the Hamilton LRT Community Benefits Engagement Report (May 2023) specify RGI housing units as one of the most important ideas that was mentioned most often from workshop participants. The development of integrated, mixed-income communities was also important to the respondents.

3.3 Defining thresholds for low- and middle-income households

Hamilton's Housing Needs Assessment identifies a method to determine the overall target for affordable housing in the region. It calculates a separate number for ownership affordability and rental affordability, using the lesser of an income-based or market-based approach. The target is meant to determine affordability specifically for low-and-middle-income households, not high-income households. Therefore, it scopes the calculation to households at the 60th percentile.

Using an affordability target based on the 60th percentile of incomes creates a definition that is only affordable to upper-middle-income residents; it represents the *maximum* rate to be considered affordable, a number which is still out of reach for most middle- and low-income households.

For example, if a household's income is at the 45th percentile, an affordability threshold set at the 60th percentile will still be out of reach for them.

The lack of affordable housing for low-income residents is dire, and strategies for increasing affordability should consider additional measures to target low-income residents specifically. Hamilton currently has a shortfall of 8,000 homes which are needed at rates of \$800 per month or less.

The provincial government should take into account the increased operating costs of non-profit housing providers, in particular extra costs due to the pandemic and recent inflation.

* * *

Recommendations: All levels of government

- All levels of government and housing providers should define affordable housing, broadly, at 30% of gross household income. Any market-based definitions of affordability should be replaced with income-based ones.

- To the extent that market-based rental rates are used in policy or funding agreements, they should not be referred to as “affordable”. Instead, use the words “below-market”, or e.g. “80% of average market”. These figures are not based on a resident’s ability to *afford* shelter; hence they should not be called *affordable*.
- When designing programs to increase the supply of affordable housing, create separate targets for low-income households and moderate-income households. Define affordable housing for moderate-income households as 30% or less of gross household income for households at the 60th income percentile, and define affordable housing for low-income households at the 30th income percentile.

Recommendations: Government of Ontario

- The Province should index the ODSP/OW shelter allowance to the current operating costs of non-market housing providers. This rate should also be indexed to inflation.

Recommendations: City of Hamilton

- For policy interventions in the B-Line corridor, use a baseline of household incomes scoped to the specific Census tracts located in the B-Line corridor, not a city-wide average income.
- Update the Municipal Housing Facilities By-law with an income-based definition of affordable housing.
- Update the Housing and Homelessness Action Plan with an income-based definition of affordable housing, and remove the market-based one.

4 Hamilton's rental market

Hamilton, like other cities in Ontario, is experiencing an increase in inequality as middle-income households are increasingly replaced by low- and high-income households. Other cities with industrial economies, such as Kitchener-Waterloo, have experienced the most rapid increase in segregation since the 1970s.

When analyzing trends in the rental market, it is important to differentiate between *vacant rents* (newly-built units or empty ones currently looking for a tenant) and *occupied rents* (units where a tenant may have been living there for many years, potentially subject to rent control).

When looking at statistics from the CMHC, market average rents and home prices are typically calculated based on combined vacant and occupied rents. In a rising real estate market, new builds that offer below-market or market average rent could actually be significantly less expensive than the average *vacant rent*. On average, vacant rents in brand-new units are 1.5 times higher than the existing average market rate.

Furthermore, there are vacant rental units that may not be counted as part of the *vacant unit rent* statistics, as the property owner is not actively seeking a tenant or is holding the property as an investment. These units are not considered to be “in the universe” of the rental market, even though they could potentially house someone.

Some measures of vacancy rate count these empty homes that are not on the market (i.e. the Census), while others do not (i.e. CMHC).

Another difficulty in analyzing rental data, especially at smaller neighbourhood scales, is that vacancy rates published by CMHC are sometimes only available for buildings with three or more units. This excludes information about secondary suites and other forms of gentle density. Therefore, depending on the source of the data, the vacancy rate can present an incomplete picture.

The more affordable a home is, and the fewer number of bedrooms, the lower the vacancy rate. In Hamilton, one-person households are overrepresented in rental households. In Hamilton, new rental construction is increasing, but these are not affordable unless built by a non-profit.

Hamilton's Housing Needs Assessment states that the need for rental units is not being met by the current real estate market, with an increasing share of rentals being fulfilled through the secondary market. The secondary rental market creates much higher rents, and less housing security for tenants. It also points out that most new homes are geared to the ownership market. This exacerbates the affordability crisis for renters, who are more likely to live in unaffordable accommodations and are significantly more likely to experience Core Housing Need than homeowners.

Core Housing Need in Hamilton has dropped slightly (from 13% to 11%) between 2016 and 2021. However, the population increased by 6% and the average household income increased by 25% from \$69,024 to \$86,000. More research is needed to determine whether the drop in

core housing need may be attributed to an influx of gentrifiers bringing the average up, or temporary pandemic-related income supports, rather than a sustained improvement in the material conditions of Hamilton's low-income residents.

Federal tax policy has a large role to play in creating incentives for the financialization of rental housing. Currently, Real Estate Investment Trusts (REITs) do not pay corporate taxes. This status allows them to out-compete other landlords and purchase more real estate, all in service of providing the highest return to their investors.

Motion 71, presented to Parliament in 2022, proposes to close this tax loophole and attempt to reverse the pattern of REITs buying up housing. Adopting this motion is one of the most significant ways that the federal government can stem the rising tide of financialized ownership in the housing market, and use the revenue generated to fund affordable housing.

There is an assumption that, when a household improves its financial situation, it will move to a new home with a higher rent that it can now afford. However, the experience of charities like the YWCA tells a different story. YWCA Hamilton works with clients in transitional housing to prepare them for good-paying jobs: some clients earn \$60,000 a year. However, these successful clients have no desire to "move up" to a market-rate home. They have developed a deep connection with community in this so-called "transitional" housing, and now do not want to leave. Simply building more market-rate homes, even those that are affordable to a household making \$60,000 per year, will not free up capacity in subsidized homes. This points to the need for mixed-income communities built on a cross-subsidy model that can offer residents stability through various stages of life.

Building housing at below-market rates is possible; taking advantage of funding such as the Rental Construction Financing Initiative, even for-profit developers can build homes that meet the needs of lower-than-average income households. Whereas a typical market-rate development looks for a profit margin between 9-15%, below-market housing can be created by the private sector without subsidies with a 6-8% profit margin. A typical non-profit development would seek a 5% net revenue to cover administration expenses.

For a typical mid-rise housing development with below-average rents, the cost of land makes up between 10-12% of the total project cost. For ownership housing, government fees, including HST, make up 25-30% of the sale price of a unit.

* * *

Recommendations: All levels of Government

- Develop targeted interventions for single-person households, low-income households, and renters.

- Develop funding programs to encourage below-market housing and non-market housing with profit margins below 8%.

Recommendations: Government of Canada

- CMHC rental market reports should report both *vacant* rent and *occupied* rent separately, as well as the overall average market rent.
- CMHC should include rental data for all housing forms in its neighbourhood-level reports, including small-scale, accessory dwellings, and gentle density.
- Align definitions of vacancy rate between the Census and CMHC rental market reports. Reporting of vacancy rates should indicate how many empty homes are not actively seeking tenants (i.e. being used for short-term rentals or being held as an investment asset).
- Remove the exemption on corporate tax from REITs and discourage the concentration of financialized real estate ownership.

Recommendations: Government of Ontario

- Strengthen tenant rights with respect to assigning and subletting leases: landlords should not be able to unreasonably refuse an assignment or sublet.
- When signing a lease, require disclosure of the amount of rent charged to the previous tenant, with an appeal mechanism for unreasonable rent increases.

Recommendations: City of Hamilton

- Continue to study potential confounding variables with regard to Core Housing Need fluctuations in Hamilton.

5 National Housing Strategy

The government of Canada's National Housing Strategy (NHS) is an \$82-billion collection of programs that are meant to create more affordable housing.

The majority of funds disbursed by the NHS are in the form of loans. While they do offer low interest rates, recipients take on financial liability in an uncertain funding environment, and these loans are tremendously limiting for non-profits who struggle to get adequate funding for their core operating expenses.

NHS programs require the creation of "net new units", meaning that a housing provider who purchases existing homes that were at market price and makes them available at affordable rates would not qualify. In one case, Women's Crisis Services of Waterloo Region purchased a triplex which had been rented at market rates, and used it to provide transitional housing to three families. Since these were not considered "net new units", the organization was not eligible for mortgage support through the NHS.

The Ontario Non-Profit Network, in its "State of the Sector" report, concluded the following after surveying over 1,500 non-profits across Ontario:

- "Two-thirds of all organizations identified inflation and decrease in donations as the most significant factors challenging their organizations."
- "Over and over again, the sector has critiqued short-term and program- specific funding as they do not cover general operating costs necessary for non-profits to deliver their programs and services"

5.1 Rapid Housing Initiative (RHI)

The rapid housing initiative (RHI), one of the NHS programs, provides an opportunity to address inequities for specific marginalized populations. Despite its unique ability to target the most vulnerable, it is the least prolific of the three main NHS programs, with only 4,800 units created, compared to 10,100 units created under the co-investment fund and 20,000 units for the rental construction financing initiative (RCFI).

The RHI is better able to balance inequities by considering personal income, not household income, which helps more single-person households qualify. It also uses the average incomes of those in "severe housing need" as a baseline, rather than overall average incomes.

City of Hamilton's housing services have been able to use RHI funds to support specific groups that were overrepresented in homelessness statistics, such as Indigenous residents and women. The ability to prioritize for marginalized populations is a strength of the RHI.

The RHI funds 100% of a project's costs, avoiding the need for organizations to apply for a mortgage and secure other funding. Conversely, the co-investment fund requires applicants to secure financing up front and then get reimbursed afterward. The co-investment fund's

approach hurts smaller organizations, especially housing providers that may not have their own in-house real estate development expertise.

An analysis by Indwell from London, ON showed that an RHI investment of \$82.5 million could functionally end street homelessness in that city over a period of four years.

5.2 Rental Construction Financing Initiative (RCFI)

Another NHS program, the Rental Construction Financing Initiative (RCFI), requires applicants to keep a reserve worth 25% of the project cost, which is the largest barrier to this program being used more by non-profit and market developers alike. This is a much larger contingency than most construction projects typically use, and it blocks otherwise financially healthy builders from pursuing concurrent builds as a large chunk of their cash is tied up.

The RCFI program has never been used to build homes in Hamilton, though housing providers in other municipalities have been able to make use of its funds. In 2020, the city of Newmarket received funding through RCFI to build 216 homes, making it the first new privately funded purpose-built rental apartment tower in Newmarket since the mid 1980s. In Toronto, over 4,000 purpose-built affordable rental homes have been built with the assistance of the RCFI.

* * *

Recommendations: Government of Canada

- The NHS should expand its eligibility criteria to include programs which are creating net new *affordable* units by converting existing market-rate units.
- There should be a new stream of funding through the NHS to proactively renovate units to passive home standards, which will ease the long-term operational costs of non-market housing and alleviate high maintenance and repair costs in the future.
- Transition to stable, long-term, and flexible operational funding for non-market housing that reflects the true cost of delivering services and programs.
- The federal government should explore more grant streams for registered charities. The federal government could also consider purchasing an equity stake in charitable projects, instead of giving loans.

Recommendations: City of Hamilton

- Develop an affordable housing reserve fund that can provide guarantees for project contingencies, in order to accelerate the rate of construction through programs such as

RCFI and free up working capital of housing providers, especially non-market housing providers.

- Develop a financing plan to leverage land owned by CityHousing Hamilton, City of Hamilton reserve funds, and the RCFI program to build thousands of new rental homes at 80% to 120% average market rent. This strategy could create a large number of needed rental units in a price range not currently being served by the private market (the average *vacant* rent for new units is approximately 150% of AMR). The municipality could become a major player in mid-market rentals, which it can use as a predictable income stream to maintain and expand existing RGI housing.

6 Zoning and building code

6.1 Inclusionary Zoning (IZ)

Inclusionary Zoning (IZ) is an attempt to capture the increase in land value of new development for social purposes. It requires homebuilders to set aside a portion of units as *affordable* for a specified number of years. However, it is a tool that comes late in the process of gentrification. IZ does not have mechanisms to help people who have already been displaced, or to maintain the level of affordability that existed on a site prior to redevelopment.

Due to the province's prescribed market-based policy framework for IZ bylaws, municipalities have typically targeted the upper-middle-income range for this tool. This approach seeks to minimize the impact of IZ requirements on the profitability of market-rate housing.

Therefore, IZ is not being seriously considered to help people at or below the poverty line. In Hamilton, IZ cannot meet the needs of low-income residents without being combined with additional subsidies.

Despite the shortcomings of IZ, municipalities should take advantage of this tool to the full amount permitted by the province (maintaining affordability for 5% of units over a maximum period of 25 years), while understanding that it is not enough on its own. IZ is one tool that can chip away at a much larger problem.

When implementing IZ in ownership (i.e. condominium) developments, there is a greater need to ensure that the home stays affordable, especially if the first owner chooses to sell. There is a risk that an "affordable" home could be flipped as an investment and cease to contribute to the stock of affordable housing. This is why, in both rental and ownership scenarios, it is helpful to ensure that IZ units are owned by non-profit housing providers. In the case of Habitat for Humanity, the charitable organization holds the mortgage and can ensure affordability for a household in need for the long term.

According to the City of Hamilton's Land Needs Assessment, there are an estimated 51,540 row houses and apartments that will be built between 2021 and 2051. If 5% of all these new units were subject to inclusionary zoning, that would represent a total of 2,577 new affordable units over 30 years. This is nowhere near enough to fill the need for mid-market affordable housing, much less the 5,716 households on the City's wait list for community housing.

According to CHEC, Hamilton has lost 29 affordable rental units for every 1 new affordable rental unit added, representing a loss of approximately 1,900 social housing units over the last 22 years. Any increase in social housing must also recognize the importance of preserving the stock of existing affordable housing. If we fail to look at both sides of the equation, we will continue to bail water out of a leaking boat.

The redevelopment of Pier 8 in Hamilton, known as Waterfront Shores, includes 5% affordable ownership units. These are constructed by the developer, and then turned over to Habitat for

Humanity. The charity holds mortgages with payment terms according to residents' ability to pay, at no more than 30% of income.

Inclusionary Zoning approaches the affordability crisis from the opposite angle as cross-subsidies. Most notably implemented in Vienna, Austria, cross-subsidies fund affordable units by adding above-market-average units in the same building. As a whole, the building's operational budget breaks even without the need for outside funding. With IZ, we ask "How much of a market-rate building can we subsidize without affecting profit?", whereas cross-subsidies ask, "How can we incorporate higher-rent units to support the required quantity of social housing?"

The City of Hamilton's Women and Gender Equity Advisory Committee published a report on October 27, 2022, about IZ along the LRT Corridor. Looking at examples in the United States, the committee recommends the implementation of a housing coalition, a forum for negotiation; and incremental enactments, first in the B-Line area then to the city at large. Access to low- and medium-income households, as well as accessible units, are a priority. It also identifies the need to "create a housing action coalition, including but not limited to developers, community organizations, neighbourhood groups, environmentalists, low-income housing activists, and local businesses."

Inclusionary zoning is less useful in areas where developers would need to apply for increased height and density to achieve transit-oriented development. That is to say, municipalities should upzone an area to allow more density as-of-right before implementing IZ.

In Hamilton, the properties immediately adjacent to the B-Line have been upzoned, but other properties within walking distance to stations still have low-density former zoning restrictions. If a developer needs to apply for a rezoning for increased density, reduced parking, or to change the allowed land use, Inclusionary Zoning becomes yet another "expense" to account for in the development's pro-forma and may tip the balance against a viable project, reducing the ability to use IZ as a tool for capturing value uplift.

Globally, we see that larger and hotter real estate markets can support more IZ rates. It is therefore irresponsible for the province to specify a cap of 5%, when places like downtown Toronto, and many of the growth centres in the GGH could support much higher rates. This limitation pushes affordable housing out to areas with less infrastructure, transit service, and social supports, thereby encouraging sprawl with all its attendant fiscal and environmental problems.

When the City of Toronto looked at the financial impacts of different IZ rates, it found that locking in a 25-year commitment to affordability would reduce the land value of the site by 20 to 30%, while mandating affordability in perpetuity would only produce an additional negative land value impact of 1% to 3%.

As Ontario's Bill 23 limits IZ to a maximum rate of 5%, one way that municipalities could help preserve existing affordable homes is to pursue aggressive upzoning: by requiring that the minimum number of units on a lot is at least 20 times the current number. Therefore, 5%

inclusionary zoning could ensure no loss of affordable units in theory. However, this approach may discourage mid-rise and small-scale intensification. This is an unfortunate situation where the provincial government's extreme hampering of inclusionary zoning rates requires a similarly extreme zoning reform to counteract the potential loss of housing. It also speaks to the limits of zoning and land use planning alone as tools that municipalities can use in the effort to maintain affordable housing.

6.2 Legalizing gentle density

Secondary suites, and up to 3 units in an existing dwelling, are now permitted by the Province's policy changes in Bill 23. The Province should expand this rule to allow for 3 units as-of-right in multiple buildings on the same lot, not only within an existing building envelope. This restriction has the perverse effect of encouraging the splitting up of family-sized units into 1-bedroom and bachelor suites, which is the same market of residents served by the majority of new construction. Without further amendments, this policy may have the effect of actually reducing the choice of family-sized units for residents in Hamilton's growing and desirable neighbourhoods.

Bill 23 also exempts residential buildings with 10 units or less from site plan control. For smaller projects, regulatory certainty is a must, as smaller builders do not have the money to fight an appeal or change their development concept to the same degree as a larger-scale project would.

To help speed up the planning approvals process and reduce neighbourhood opposition to development, municipalities could explore creating pre-approved designs (e.g. massing plans and site plans) that are vetted by city staff and community groups in advance of a development occurring. This could allow a developer to proceed directly to the building permit stage if they choose a pre-approved design.

For non-profit housing providers, especially those that enter into funding agreements with the municipality to provide affordable housing, the lack of in-house development expertise is a limiting factor. Municipalities could build in-house capacity to help facilitate the creation of site plans for these housing providers.

Upzoning low-density neighbourhoods can provide more missing middle housing options. These solutions typically target the middle- and higher-income earners who are unable to qualify for a mortgage due to bidding wars and constrained supply in desirable neighbourhoods. However, upzoning on its own does not necessarily target lower-income residents. It must be paired with right-of-return policies and Inclusionary Zoning or other measures to ensure affordable rents post-redevelopment.

6.3 Cost of parking

The cost to build one parking spot can be anywhere from \$30,000 to \$80,000. Reducing parking requirements in a holistic way, through parking sharing agreements and even setting maximum parking rates, is key to affordability.

Habitat for Humanity Hamilton built a townhouse project with 8 units on Niagara Street. If parking requirements had been waived, or if a parking sharing agreement was reached with neighbouring properties, 11 units could have been provided.

The West End Homebuilders Association recommends eliminating parking requirements along Major Transit Lines and in MTSAs, as well as in the downtown area.

A map of underutilized space in Hamilton produced in 2021 by volunteers, and published on the Downtown Sparrow website, shows that there are over 3,300 acres of underutilized space in the city — many of which are parking lots.

Efforts to eliminate parking should be paired with mechanisms for the city to ensure that the cost savings are actually passed on to create affordability; or that the additional units created by the freed-up land area be dedicated to affordable units in agreements registered on title. Even if this goes beyond what the municipality can require of most private landowners, this could be achieved by establishing higher standards for affordability on publicly-owned land.

* * *

Recommendations: Government of Ontario

- Remove the cap of 5% and 25 years on municipal IZ policies.
- Require IZ agreements to be registered on title, to ensure permanent affordability. This could include ensuring that IZ units be sold or donated to a registered charity.

Recommendations: City of Hamilton

- Given the small 5% cap on dwellings eligible for Inclusionary Zoning, a portion of these units should be subject to deeper affordability targeted to incomes at the 30th percentile.
- Pursue aggressive upzoning and right-of-return policies in tandem with Inclusionary Zoning in currently-affordable neighbourhoods, to ensure that no loss of affordable housing occurs as a result of redevelopment.
- Create a housing action coalition as recommended by the Women and Gender Equity Advisory Committee.
- Enable parking sharing agreements to reduce the need for new parking infrastructure for affordable homes.
- Explore opportunities for new housing that incorporates a mix of incomes so that projects can operate via cross-subsidies without the need for external funding.

7 Development Charges and Community Benefits Charges

Development Charges (DCs) have been used as an effective way to compel federal funding into Hamilton from other levels of government. The co-investment fund, for example, would allow the federal government to match funding in the amount of DCs waived by the municipality.

The Hamilton is Home coalition approached the city in 2022 to ask for a waiver of Development Charges to build 3000 apartments in the next three years. When approached with this coordinated ask, the city refused to forgo the Development Charges.

Ontario's Bill 23 eliminates DCs for non-profit housing. The federal government should continue to recognize these waived fees as part of the municipal contribution toward the co-investment fund. The infrastructure and public realm costs of development still need to be paid by the city, so although they are not allowed to collect funds from non-profit and affordable developments, it should still be counted as a municipal contribution for the purposes of matching grants.

The advent of Bill 23, and the corresponding reduction in Development Charges and Parkland Dedication Fees, requires municipalities to re-assess their revenue tools. Hamilton should remove the following non-statutory exemptions to its CBC bylaw:

- Downtown Hamilton CIPA reduction (40% discount on CBCs payable)
- Residential Facility or Lodging House reduction (50% discount on CBCs payable)

Arbitrarily reducing the eligible CBC collected, which applies to new buildings that typically house higher income households, will create an undue burden on Hamilton's general tax base, worsening the effects of rising cost-of-living for residents in existing buildings.

A City of Hamilton staff report on CBCs shows that collecting the maximum eligible amount of charges is still insufficient to fund the CBC-eligible expenses in the City's capital program. If the City chooses to continue with further non-statutory exemptions, it will worsen this imbalance. (Report FCS22015 (b), p. 58)

The report also shows that there will be an estimated 3,235 units built over the next ten years that will be eligible for CBCs inside the Downtown Secondary Plan area. This represents land value of \$76,299,000. If the 40% CIPA exemption is maintained, this could result in a loss of revenue of \$1.22 million. (Report FCS22015 (b), Table 5)

Seeing as the CBC reserve fund is projected to have a \$5-million shortfall, removing the CIPA exemption could make a significant contribution to balancing that budget.

Bill 23 removes Housing Services as eligible for DC collection. The City should re-assess its DC bylaw to reflect this reality, and not forgo revenue that it is entitled to by issuing extra exemptions.

The City should also amend its DC bylaw to remove Development Charge exemptions in the downtown CIPA area.

Exemptions in development fees in downtown areas arise from a sense that the market must be given incentives to build in this area. However, Hamilton's downtown is a hot real estate market, spurred on by the recent public investment in light rail transit. The municipality does not need to forgo revenue unnecessarily to attract development. Other factors, such as national interest rates, are more likely to predict real estate activity than development fees.

There is no justification in the CBC Strategy, or the associated staff report as to why the 40% exemption for properties within the Downtown CIPA is necessary, other than to indicate that it aligns with the DC bylaw. Considering the removal of regulations and speeding up of timelines ushered in by the Province, the more permissive zoning along the B-Line corridor, and the significant public investment in the B-Line LRT, this exemption is not necessary to catalyze development in Hamilton's downtown.

As for the 50% reduction for residential facilities or lodging houses, the city should consider alternative means of encouraging these housing forms, such as increased program funding or rent supplements, to ensure the financial benefit is passed on to the tenants of these housing forms, rather than benefitting the landowner alone.

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Recommendations: Government of Canada

- The federal government should count mandatory Development Charge exemptions towards the municipal contribution for matching grants, such as the National Housing Strategy's co-investment fund.

Recommendations: City of Hamilton

- Remove all non-essential exemptions to Community Benefits Charges, and remove the Development Charge exemption for the downtown CIPA area.
- Implement area-rating for Development Charges to encourage redevelopment within existing built-up areas where infrastructure already exists.

8 Housing Sustainability & Investment Roadmap

A report passed by Hamilton City Council on August 11, 2022, sets expectations for the ongoing Housing Stability & Investment Roadmap (HSIR): “report quarterly on prioritized actions underway and overall plan progress, and by end of Q2, 2023, bring forward a draft of the Housing Sustainability and Investment Plan”.

This plan is structured to avoid placing the burden on the City itself for being the primary actor responding to the housing crisis, instead declaring that, “Given the current financial pressures at all levels of government, the exponential increase in residential land values, home resale values, lack of affordable housing, increased materials and labour costs, supply chain delays, there is an urgency for all parties to collaborate and identify and act on opportunities to drive positive change.” This too-broad focus waters down the urgency for the City of Hamilton to identify quick actions that it can accomplish.

The report goes on to state, “this Plan is not about targeting a single population demographic but improving the housing continuum across the entire spectrum.” Having such an expansive mandate will mean that the most difficult problems — affordability for the lowest-income Hamiltonians, efforts such as reversing the loss of publicly-owned social housing, and funding new opportunities such as Land Trusts — risks being easier to ignore.

An update was presented to the Emergency & Community Services Committee on December 1st, 2022. It recognizes the need to prioritize actions, and sets out an objective for creating an evidence-based assessment and gap analysis of actions to support the following goals:

- Creating new affordable housing
- Acquiring and retaining existing affordable housing
- Delivering appropriate supports

While all participants can agree that different approaches are required to meet these differing goals, the update does not adequately address the potential for conflict between them. For example, CityHousing Hamilton has divested itself of smaller buildings in its portfolio to reduce its operational overhead. It has engaged in partnerships with third-party housing providers in redeveloping CityHousing properties, handing over ownership of public land in the process. As a public entity, CityHousing Hamilton and The City of Hamilton should recognize that they have a unique ability to use public land and municipal financing tools (i.e. bonds, lower interest rates) to build their in-house capacity for growth and service excellence over the long term. The current approach appears to be rooted in a sense of limited capacity.

In April 2023, the City passed a motion to allocate \$5.7 million to repair a backlog of 476 CityHousing units by December 2024. The HSIR should chart a path forward for sustainable funding of maintenance so these backlogs do not accumulate in the future.

As a result of Bill 23, up to 3 units are permitted as-of-right on a residential lot. CityHousing should re-evaluate its strategy of selling off single-family homes in light of this potential for gentle density on its low-rise properties.

The HSIR report briefly mentions assets, but does not distinguish between public and private assets, and falsely puts the municipality on the same level as community partners. Municipalities have more tools at their disposal and should see their role as central to solving the housing crisis.

There are considerable gaps in funding available to bring building standards to a fully functioning level in CityHousing buildings. To go beyond “plugging holes” and actually improve quality of life with investments such as air conditioning, feels out of reach for CityHousing staff.

While some maintenance has been provided on CityHousing vacant units through a partnership with Habitat for Humanity, This is a drop in the bucket as only 7 homes have been repaired through this partnership with support from students and volunteer labour.

In Waterloo, Supportive Housing of Waterloo a building at 144 Erb St E was successfully maintained as affordable housing through NHS and City Contributions, the building was sold to a supportive housing charity with an agreement on title that the existing tenants would not be displaced or have their rents increased beyond the annual guideline amount for a period of at least 2 years.

Affordable housing providers are exiting the market, and for some it may be too late. Most of the funding terms expire after 20 years. The City should review all of its agreements and understand the risk of providers exiting the market in the near and medium term, so that we can use new agreements or find willing buyers to lock in affordable housing.

* * *

Recommendations: City of Hamilton

- Immediately stop the sale of any City-owned land pending the outcome of recommendations from the HSIR and the April 7th, 2022 strategic plan to secure land for affordable housing along Hamilton’s future LRT line.
- In the HSIR, prioritize the use of public land, assets, and funds to build non-market housing.
- In the HSIR, prioritize the use of zoning reform, parking reform, and streamlined approvals to encourage market housing.

9 Land acquisition

The need for public land ownership is made more urgent by the fact that the Province, through Bill 23, Bill 184, and other measures, has hamstrung local governments' ability to collect development charges, community benefits charges, and regulate affordability and tenant protections in the private market. To go above and beyond the statutory minimums, municipalities should look to enforcing higher standards on land that it owns.

Public investment in major infrastructure project, like LRT, provide massive incentives for development and economic activity. At the same time, they cause a localized spike in land value, increasing the barriers for housing providers to participate.

While renewal and renovation efforts are important, we must also turn our attention to the fact that almost no new rental housing that is affordable to low- and moderate-income households has been built in the last 30 years. A robust land acquisition strategy is one way to spur new affordable developments.

Rather than considering land disposition, as CityHousing Hamilton has done in recent redevelopment projects, the City should consider a leasehold system based on public land leasing that allows for private-public partnership in the development of housing, while the City keeps ownership of the land asset and can use it as leverage for future financing.

Hamilton's Affordable Housing Funding Program was adopted in January 2023. It commits a \$4-million annual budget to create affordable housing opportunities. These funds, combined with other resources such as the Hamilton Future Fund, could be used as seed funding for RCFI contingencies, land acquisition for long-term leases, and other initiatives that help create affordable housing while maintaining a revolving fund that can grow into a large endowment over time.

Acquisition is one of the most challenging aspects for non-profit housing providers, and areas where people are being displaced are where the competition is most fierce. Some non-profit housing providers have found success in bidding on contaminated sites and then cleaning them up, but this presents uncertainty and additional risk related to the cost of environmental remediation.

The cost associated with Environmental Assessments and cleanup are major barriers to non-profit and affordable housing developers acquiring land. A land acquisition strategy should take these aspects into account and consider offering a fund to assist non-market housing providers in acquiring contaminated sites.

The Affordable Housing Challenge Project proposes "enacting a right-of-first-refusal policy that enables non-profit housing organizations to take on the stewardship of any affordable housing units built on surplus public land, with considered priority given to Indigenous-led organizations and other organizations serving equity-seeking groups".

Community Land Trusts are another non-profit model that could be used to serve the needs of the neighbourhood. They are an important, non-governmental, piece to the housing puzzle that

prioritizes resident leadership and independence. Cooperation with government could look like land transfers, assistance with the development process, and cooperation on funding requests to other levels of government.

A land acquisition strategy can ensure affordability before, during, and after redevelopment. When compared to other tools, like a land value tax, it presents less disruption for affordable commercial uses in low-density strip malls where important neighbourhood amenities are located. Tools like a land value tax create a strong upward pressure on residential and commercial rents in urban areas, and can make gentrification worse. Land acquisition makes it more likely that multiple public priorities can be solved at once.

Some non-profit housing agencies own significant land, which can be intensified. They should develop their own land acquisition and land use plans to see how they can approach infill development with minimal disruption to existing tenants.

An endowment, or Urban Wealth Fund, could be created in the style of Vancouver's Housing authority. It would pool assets and cash reserves together into one coordinated fund with the purpose of acquiring land and leveraging investment in affordable housing. This strategy prioritizes long-term financial stability and discourages selling off land. Revenue from land leases would be put back into the fund. While land leases prevent the non-profit leaseholders from building equity due to the land value uplift, this strategy could be paired with a commitment from the City to use the equity to direct more investment for those same agencies.

The City's ability to borrow at low interest rates gives it a particular advantage against market and non-profit developers. It should use this advantage to attract matching funds and enable financing to deserving projects.

When public services, such as housing or utilities, have their own dedicated income stream to cover debt servicing costs, they can be considered "self-supported debt", as distinct from "taxpayer-supported debt". This gives the ability for governments to massively expand social housing, without risking their credit rating. When the initial debt is eventually paid off, housing and the land on which it sits remains as a valuable asset that can be leveraged again to finance future projects.

A major factor in the success of the Putman Family YWCA, and the reason why it could be built so quickly, is that YWCA Hamilton already owned the land. With a combination of land assets, fundraising, reserves, and philanthropy, the organization was able to fund this project and build it within 3 years.

If YWCA Hamilton is to repeat this success, a missing piece of the puzzle is land. This is a situation where a revolving loan fund or land banking initiative can help. At a small rate of return, such as 3%, a revolving loan fund could enable non-profit and community organizations to access funding for buying land and building affordable housing.

Indwell has created supportive housing developments using co-investment from complementary municipal infrastructure, like a fire hall and library, inside a mixed-use

development in St. Thomas. Combining the cost of new infrastructure with a housing project helps save capital expenses in city departments and make better use of scarce land and funds. The City should look at further opportunities for integrating municipal facilities when evaluating housing projects.

9.1 Metrolinx-owned land in the B-Line corridor

Apart from city-owned land, there is a significant amount of land owned by Metrolinx in the B-Line corridor. While the land was purchased to make way for tracks, platforms, and other LRT infrastructure, there will be surplus portions of land left over once the project is built. This land represents a timely resource that could be used toward the provision of affordable housing. Unfortunately, Metrolinx does not have a good track record of prioritizing its surplus land for social good. Between January 2021 and September 2022, none of Metrolinx's surplus land went toward affordable housing.

According to Ontario's realty directive, Metrolinx does not need to offer surplus land to municipalities or eligible not-for-profits if the land is "not separately viable". Under these circumstances the land may be sold to an adjacent property owner. This policy introduces a dangerous loophole where a minister can avoid circulation by declaring a property "not separately viable". This determination of viability should come after all agencies are circulated and have a chance to comment, not before. The Province should also allow municipalities an appropriate runway of time to assemble financing before land is declared as surplus.

As municipalities are one of the first to have a claim to surplus land, they should also create policies that prioritize the acquisition of land for affordable housing, at below-market rates or for free.

In Toronto, residents rallied to obtain surplus land from Metrolinx as part of the Finch West expansion. Land that would have been vacant, adjacent to a transit operations facility, will now become a much-needed community hub. Through negotiations with the City, the Community Hub Organizing Committee, and Metrolinx, land has been transferred to the City at no cost. This shows that Metrolinx does have significant discretion in its ability to transfer surplus land for community benefit.

Organized communities are key to achieving something like a public disposition of land for community benefit. Royson James, writing in the *Toronto Star*, states: "The process is long and frustrating. But grassroots support forged from community consultations — while labour-intensive and laborious — will be the fuel that keeps the project alive when it inevitably butts up against obstacles such as lack of funding."

The province's 2022 Housing Affordability Task Force recommended the creation of an Affordable Housing Trust from a portion of Land Transfer Tax Revenue (i.e., the windfall resulting from property price appreciation) to be used in partnership with developers, non-profits, and municipalities in the creation of more affordable housing units. This Trust should create incentives for projects serving and brought forward by marginalized groups.

The task force also suggested that all future government land sales, whether commercial or residential, should have an affordable housing component of at least 20%.

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Recommendations: Government of Ontario

- Broaden the criteria for declaring surplus land owned by Metrolinx, and consider the social benefit of land that is donated or sold at below-market rate to community groups, municipalities, and charities.
- Use a portion of the Land Transfer Tax to fund land acquisition for affordable housing.

Recommendations: City of Hamilton

- Expand the scope of the Affordable Housing Funding Program to include a revolving loan for RCFI contingency, and for land acquisition for leasehold arrangements that go beyond the Province's minimum standards for affordability.
- Give first right of refusal for surplus public land to non-profit affordable housing providers and community land trusts.
- Adjust the terms of reference for the Affordable Housing Site Selection Committee to discourage divestment of land and pursue a system based on public land leases instead.
- Leverage budgets of all City departments, not just Housing Services, by seeking co-investment of affordable housing with other municipal infrastructure such as fire stations, paramedic stations, libraries, and community centres.
- Develop a strategic land acquisition fund to purchase land for affordable housing in anticipated Major Transit Station areas. This fund should seek to purchase land as early as possible in the planning process, before land values increase dramatically.

10 Displacement

Hamilton has a rapidly increasing rate of income inequality. This is a problem in many urban areas, but Hamilton's rate is increasing more than that of Toronto, Kitchener-Waterloo, and other cities in Ontario. Low-income residents cluster in the downtown, north, and east ends of the lower city. Affluent areas are clustered in the west end near McMaster University. The LRT will make it more desirable for high-income residents to move to new areas of the lower city and commute toward the university. This will put increased pressure on low-income residents of the lower city who will be competing with new arrivals for limited housing. So, it's important that we increase housing supply while ensuring that we don't lose existing affordable housing along the corridor.

To this end, Hamilton's Emergency & Community Services Committee approved a suite of recommendations on April 20, 2023. These include increasing the Tenant Defence Fund and expanding its eligibility to include tenants impacted by N12 notices. Staff have been asked to report back with further proposal to expand the Fund's scope and flexibility. Staff were also tasked with reporting back on a "full suite of options to halt renovations" including a landlord licensing model based on Toronto's RentSafeTO and a renovations by-law.

Tenants who are displaced in the B-Line corridor tend to look for temporary accommodation within the neighbourhood where possible, even if it means crashing on a friend's couch or accepting an apartment in worse condition than the one they left. There is a strong desire to stay in the neighbourhood.

Many forms of displacement, such as moving to a smaller home in the same neighbourhood, or moving in with roommates, are not able to be measured by statistics based on Census Tract boundaries. This is why displacement modelling must be augmented with observations from the services closest to those with lived experience of being forced out of their homes or communities.

Toronto's Tower Renewal Partnership has made strides in involving residents themselves in the process of rehabilitating apartment buildings. Resident perspectives on common areas and public space are valuable, however, "renewal" also means displacing tenants for renovations — no matter how inclusive the consultation process is, we risk carrying out renovation by another name. We must create conditions for residents to stay in place where possible and to maintain long-term affordability.

Any renewal, upgrades, or revitalization of existing affordable rental buildings should use practices such as renovating units piecemeal, working with the natural turnover rate of the building, and offering tenants renovated units at the same rent. Considering that upgrades to appliances, windows, and insulation can improve the operational costs of a building, and that other retrofits like removing lead paint are a landlord's responsibility to the health and safety of its tenants, revitalization should not be used as an excuse to increase rent for existing tenants.

In CityHousing Hamilton's Jamesville redevelopment, 91 RGI units were demolished, and 46 new ones were built on site. (A further 114 units operated by Indwell will be included on site at

rates of 50% below market average.) The remaining 45 CityHousing units are planned to be relocated to another site close by, in the Bay & Cannon area. In the meantime, residents have been relocated to other CityHousing Hamilton properties. Residents who were relocated may not want to be displaced twice; the years-long delay between being evicted and being rehoused can uproot communities. In this case, the temporary loss of social housing supply also served to worsen the backlog of CityHousing's waiting list.

10.1 Displacement from Metrolinx-owned land

Metrolinx estimates 90 full property acquisitions are required to build the LRT, 30 of which are residential properties. In a 2019 project update to council, Metrolinx claimed that 55 residential units on 15 residential properties had been acquired so far, with 66 residents needing support. It is unclear how many residents left without obtaining support. While Metrolinx mentions that 15 of these units were unoccupied, more investigation is required to understand whether tenants were displaced by former landlords, legally or illegally, prior to the sale.

Metrolinx's financial assistance includes "assistance to tenants for the direct costs associated with the mutual termination of a lease." This is a lower standard than the tenant support standards advocated for by organizations such as ACORN Hamilton. More information is needed about whether tenants were able to be relocated to a home in the same neighbourhood at similar rent, if they so choose.

King Street Tenants United estimates the total number of impacted residential units is 180, not 55. They estimate that a displaced tenant would pay an increase of \$379-\$706 per month. They said, "Given that Hamilton has an apartment vacancy rate of 3.1%, it's hard to believe that 27.3% of apartments purchased by Metrolinx had been sitting vacant for a long time prior to purchase."

10.3 Tenant protections and rental licensing

Recently, Ontario has struck down rental replacement bylaws in cities such as Ottawa. Without the ability to regulate renovictions, municipalities will have to find other ways to support tenants. This could include increasing funding to paralegal clinics, proactively investigating non-compliant landlords, and informing tenants of their options to fight against illegal evictions.

Practices such as buyouts (e.g., cash for keys), illegal eviction notices, renovictions and demovictions are common and poorly tracked. Municipalities can also inform residents of their rights with public education campaigns in local media and on public transit.

In 2020, Ontario's Bill 184 introduced several changes to the Residential Tenancies Act that should be reversed. The province could introduce new legislation including:

- Restoring the right to a full eviction hearing for tenants who are unable to fulfil repayment agreements
- Revoking the ability of landlords to bring former tenants before the Landlord Tenant Board

- Revoking the ability to deem illegal rent increases as legal after 12 months

Rapid Rehousing programs often arrive too late in the cycle to prevent eviction. Stronger eviction prevention and rent stability programs could help provide an upstream intervention.

ACORN Hamilton has suggested the following standards to protect tenants: a strong tenant assistance and rental replacement policy that includes responsibilities for landlords to help tenants find new accommodation, financial support for moving, and the right to return to the redeveloped unit at the same rent and the same number of bedrooms. They advocate for a rental replacement ratio of 1:1, or 30% of the units in the new building, whichever is larger.

Expanding portable housing allowances is another measure that could help tenants navigate an unfair housing system, especially when renovictions and demovictions are so prevalent. As of 2021, only 1,416 households benefit from rent supplements and housing allowances in Hamilton. This does not include the Residential Care Facilities Subsidy Program which offers supportive housing.

Rent supplements can help tenants whose rent-to-income ratio is creeping up and ensuring that they are able to stay in their neighbourhood, before they require more serious housing interventions or complex supports.

New rentals that arise from the secondary market of condos result in less tenant security, more turnover, and create a situation where investors are competing with people who want to own a home to live in.

Some cities have introduced landlord registries or landlord licensing programs. Montreal's landlord registry requires disclosure of information such as how much rent is being charged. However, the registry does not include all housing types. Toronto's RentSafeTO is a more proactive model, which includes accountability measures for responding to tenant service requests, and maintenance of property standards.

Reflecting on LRT-related displacement and gentrification in Waterloo Region, Doucet (2021) observes: "While legally, tenants have the right to return to their units at the same rents after renovation, many are not aware of this, and by the time they realize their options, the units are already rented."

Patterns of demoviction, especially in apartment buildings, result in the demolition of family-sized units to accommodate more bachelor and 1-bedrooms, or conversely, the demolition of small units to combine and re-shape them as larger upmarket rentals. In both of these scenarios, the resident cannot return to the same unit they left because it no longer exists.

In Ottawa, a memorandum of understanding was reached with the redevelopment of Manor Park to secure tenant rights. The landlord agreed to provide affordable housing, which is defined using an income measure. Anti-displacement provisions ensure that current residents get ample notice of planned construction, that they have the right to relocate to a similar unit at the same or lesser rent in the case of their unit being under construction; and that moving costs will also be covered.

The Manor Park MOU is also notable for including a clause that commits to Inclusionary Zoning (IZ) of 10% even if the City's IZ bylaw is not approved. Measures like this show a measure of good faith, and provides an example for municipalities to follow when they issue RFPs or enter into agreements with housing providers.

When it comes to preventing displacement of non-residential units such as neighbourhood commercial uses and community spaces, we can take inspiration from the Parkdale Community Benefits Framework. It sets out standards for “mom and pop” retail stores and community spaces, proposing that these are made available with smaller unit sizes and at affordable rents. The framework describes the need for fine-grained square footage requirements for commercial elements of new buildings, rather than having one large commercial space that is inaccessible to most prospective tenants. Rent subsidies could also be explored to help shops that would otherwise be displaced afford to locate in new redevelopments in their existing neighbourhood.

In Hamilton, the Putman Family YWCA integrates its programming with a childcare centre across the street that is also operated by the YWCA. They are also creating a women's entrepreneurship centre, a senior's centre, a makerspace, and a space for young people to study and have a homework club.

* * *

Recommendations: Government of Ontario

- The province should reinstate rent control for all buildings, and tie annual rent increase guidelines to changes in incomes for renter households (not to inflation).
- Require a 1:1 replacement of units at the current size and rent in new developments.
- Explore property tax incentives to ensure existing businesses and community uses have an option to return to spaces at a similar size and rent.
- Reverse anti-tenant provisions in Bill 184, including restoring the right to a full eviction hearing, revoking the ability of landlords to bring former tenants before the Board, and revoking the ability to legalize illegal rent increases after 12 months have passed.
- Expand the Canada-Ontario Housing Benefit program eligibility to capture those impacted by the recent closure of the Social Infrastructure Fund Housing Allowance.

Recommendations: City of Hamilton

- Ensure the Hamilton Housing Benefit meets the criteria for 30% of a tenant's income, not just an average market value.

- Embed anti-displacement policies in all MOUs and RFPs.
- Establish a landlord registry and licensing regime to prevent demolition-by-neglect and to ensure adequate living standards in all rental buildings
- Improve data collection through the rapid rehousing program to identify localized patterns of displacement within neighbourhoods.
- Increase funding to legal clinics assisting tenants with displacement-related issues.

11 Transit access

Community consultation detailed in the “Community Benefits for Hamilton LRT” paper from April 2022 specifies access to LRT from across the entire city as one of the most important ideas mentioned most often from workshop participants. Detailed design items such as crosswalks, bike locks, bus shelters, were identified as well as higher-order improvements such as comprehensive snow clearing and complete network coverage of all neighbourhoods.

For public transit to succeed at helping make someone’s life more affordable, in terms of allowing them to live without the costs associated with car ownership, that transit must be convenient, reliable, and go to the places where people’s commuting destinations and daily errands are.

A report from Environment Hamilton notes that the overlap between good transit service and low-income neighbourhoods is “fortuitous”, and that it is not guaranteed to continue overlapping with the areas of highest need (i.e., lowest income). Income levels are something that HSR should look at intentionally when designing a transit network that serves those who need it most.

The need for this proactive approach to transit service is evident as we see that the number of low-income residents is rising faster in upper Hamilton and outlying areas than in the lower city. Without convenient, reliable transit access, these residents will suffer even sharper effects of income inequality as the lack of public transit forces them to spend more money on transportation than if they were able to live in the lower City.

A study of transit use during 2020 showed that, as pandemic restrictions took hold, transit use declined most among high-income residents, while low-income residents continued to rely on transit. This illustrated that low-income residents may not have other convenient or affordable transportation options. Also, it shows that cuts to service will disproportionality impact low-income residents.

While the introduction of LRT will necessitate a reorientation of the bus network to efficiently feed into LRT stops, there is a need for HSR to examine ease of trips across its entire transit network, not just the B-Line, to determine how it can best serve lower-income communities all across Hamilton and their employment destinations.

Residents in supportive housing become connected with employment opportunities that are spread out across the entire city. Employers in retail, catering, and manufacturing are not necessarily on frequent transit lines or concentrated in major nodes. Creating a transit network with better coverage is an effort to increase accessibility and address inequality. HSR should leverage the new LRT to create a “spine” that connects seamlessly with a frequent grid network of transit lines.

According to Environment Hamilton, “ridership “has been steadily decreasing” and hundreds of hours of bus service has been cancelled due insufficient demand”. These service cuts threaten to exacerbate income inequality by basing a network design on demand, rather than access. We

do not expect roads to pay for themselves; we should similarly not expect the transit network to create net revenue for the City if it means reducing access to opportunity for our residents.

Transit access is also a question of disability justice. Buses and LRT trains can accommodate wheelchairs and those with physical disabilities. But if the schedule is reduced, trips become less convenient, transit stops are not maintained in winter, or if the sidewalks to and from the stop are not cleared, we are failing as a community to uphold the principles of universal access.

During the construction of Waterloo Region's LRT, residents in Kitchener's Traynor-Vanier neighbourhood found their pedestrian access to adjacent commercial and employment destinations cut off by the new light rail transit line. While pitched as a way to improve active transportation, the project failed to consider the needs of pedestrians in one of the city's lower-income neighbourhoods.

This also happened in Waterloo's Conestoga station, the transit line's north terminus, where only one access point to the station platform was constructed, forcing many pedestrians into a significant detour to use the train.

* * *

Recommendations: Government of Ontario

- Establish neighbourhood liaisons to proactively identify issues related to quality of life and service continuity during the construction phase of major transit projects.

Recommendations: City of Hamilton

- In transit network planning, prioritize coverage and access to low-income neighbourhoods and neighbourhood commercial nodes, not only major employment areas with high ridership.
- Work with neighbourhoods immediately adjacent to LRT stops to ensure active transportation infrastructure is well-designed and maintained all year round.

12 Conclusion

The affordable housing crisis is a multi-faceted problem with many different causes. We can point to the financialization of real estate, exclusionary zoning, the hollowing out of social supports, the loss of rent control, the failure of wages to keep up with the cost of living, and changes to development fees, among other causes. The patterns of gentrification and displacement around major transit stations are also complex.

As multiple levels of government with overlapping areas of jurisdiction seek to tackle this issue, there is a tendency to prioritize planning, coordination, and strategizing over action.

Governments are cautious of taking action without first securing partnerships with other levels of government, the non-profit sector, or private developers. This approach to the housing crisis has generated some success, but it fails to meet the scale of the problem, especially for low-income residents. The biggest threat right now is the opportunity cost of delay, as Hamilton's housing market heats up and the LRT construction progresses, as tenants are displaced and the emergency shelter system is strained for capacity.

This report presents 55 recommendations. They all work toward the same goal, but they do not require governments to work together. They can be implemented today by public servants and political leaders who understand the urgency of the housing crisis, and the value of public assets.

In 2011, I presented recommendations for preserving affordability in the B-Line corridor. Had the City of Hamilton implemented tools like tax increment financing and land banking 12 years ago, it would be better positioned to meet the affordable housing needs of residents in the B-Line corridor.

While comprehensive multi-stakeholder strategies are necessary to a long-term solution to this housing crisis, they should not be used as an excuse to delay.

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Affordable Housing in Hamilton's B-Line Corridor

Sam Nabi



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City of Hamilton, Rapid Transit Section

Hamilton, Ontario

Prepared by

Sam Nabi

Assistant Transportation Planner

Rapid Transit Section

Environment & Sustainable Infrastructure Division

Public Works Department

City Of Hamilton

August 2011

29 August 2011

To Whom It May Concern:

This report, entitled "Affordable Housing in Hamilton's B-Line Corridor", was prepared as co-op work term report for the City of Hamilton. I was employed as an Assistant Transportation Planner in Hamilton's Rapid Transit section. The rapid transit team is working closely with Nodes & Corridors Planning staff, which allows for the joint development of transportation and land use planning as the B-Line rapid transit project moves forward. The purpose of this report is to explore the tools that may be most useful for preserving affordability in the housing market around a new rapid transit line.

This report represents my sole opinion. It does not reflect the views of the City of Hamilton, nor should it be interpreted as a staff recommendation.

I would like to thank the following people for their assistance during the research phase:

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- Richard Paola, Angela Monaco, Ken Coit, and David Cook for assistance with gathering statistics and assembling maps; and
- Paul Johnson and Vimal Sarin, for their valuable insight into Hamilton's current affordable housing market.

Should you wish to contact me with any questions or comments regarding this report, please send an email to skinabi@uwaterloo.ca.

Sincerely,

Sam Nabi
Candidate for Bachelor of Environmental Studies
Honours Planning, Co-op
International Development Option
University of Waterloo

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Summary

The purpose of this report is to identify tools that may be useful for preserving the affordability of housing amid rising land value in Hamilton's B-Line corridor. The B-Line is identified as a primary corridor in Hamilton's Official Plan, meaning that it is a preferred location for increased density, population growth, and increased transit service.

Hamilton is currently planning for rapid transit in the B-Line, which will bring many social benefits to the residents that live in the immediate influence area. However, the proximity to rapid transit is very likely to raise rents and property taxes, potentially displacing low- and moderate-income households. Hamilton is in need of policy tools to preserve the current affordable housing stock and ensure that new development provides affordable options.

This report examines housing affordability from a land-use planning perspective at the local level. The current policy environment, demographic statistics, and housing market data are analyzed to determine which strategies might be most useful for the different sections of the corridor.

Case studies of other North American cities are discussed, so as to judge their applicability for Hamilton.

Due to Hamilton's current "cold" investment climate, it is recommended to pursue development incentives such as tax abatements, unbundling of parking, and an

acquisition fund to encourage development, especially the redevelopment of surface parking lots in the Downtown.

As the market heats up, Hamilton will be in a position to use more aggressive methods to ensure affordable housing such as inclusionary zoning and tax increment financing. These tools must be in place as early as possible, to ensure that Hamilton is well-equipped to preserve affordability when investment in the B-Line begins to accelerate.

1 Introduction

This report is based on the following premise: it is important that affordable housing be served by rapid transit to provide reliable access to jobs, services and amenities. The demographic groups that most need affordable housing (e.g. New Canadians, low-income households, and fixed-income seniors) are also those that will benefit the most from rapid transit.

Often, the announcement of a new rapid transit line, especially if it is the first rapid transit line in a city, causes rents and property taxes to increase due to a speculative rise in land value. Such an increase in housing costs may prevent low and moderate households from staying in their homes. Also, it may make the construction of new affordable housing less likely. (Thorne-Lyman et al., 2008)

There are many ways to approach the affordability problem that rapid transit can create. One way is on the demand side: by providing income supplements, tax credits and grants, households that would otherwise be priced out of the market can afford to live close to transit. This report will not explore these demand-side methods. The focus will instead be on the land-use planning and policy tools that can be used to maintain and increase the *supply* of affordable housing near rapid transit.

In Hamilton, as in all Ontario municipalities, affordable housing is a responsibility shared by multiple levels of government, though municipalities are the front-line service providers. (Keys to the Home, 2004) As later sections of this report will

explain, much of a municipality's capacity to ensure an adequate affordable housing supply is related to the amount of provincial and federal funding available.

This report provides recommendations to the City of Hamilton's Nodes and Corridors Planning staff, for the purpose of guiding the integration of affordable housing policies in the B-Line Corridor Secondary Plan. However, as this report's findings may prove useful to staff in a range of departments, from Planning to Public Works to Housing and beyond, it is intended to reach a broad audience that may not be familiar with technical terms. To this end, terms that may be unclear have been defined in the Definitions section.

1.1 Assumptions

It should be noted that while the future of light rail transit (LRT) in Hamilton is uncertain, the B-Line corridor is a defined primary corridor in the Hamilton Urban Official Plan. Primary corridors are the focus areas for intensification, population growth, and increased transit service in the City of Hamilton. These areas are intended to be pedestrian-friendly, transit-oriented, dense, and vibrant places. (Council-Adopted Urban Hamilton Official Plan, 2009)

At the provincial level, two major reports (MoveOntario 2020 and The Big Move) have identified the B-Line as a major rapid transit corridor. In its Benefits Case Analysis, Metrolinx identified LRT as the mode of rapid transit that would bring the most benefits to the B-Line. (Hamilton King-Main Rapid Transit Benefits Case, 2010) Hamilton city council also directed staff to focus on LRT in Phase 2 of the Rapid

Transit Feasibility Study. (Rapid Transit Feasibility Study - Public Consultation Update, 2008) Therefore, although council has yet to make a final decision on the preferred mode of rapid transit on the B-Line, the projections and assumptions in this report will be based on LRT.

It is also assumed that when LRT is confirmed for the B-Line, the investment climate will change dramatically from a largely “cold” market to a “hot” market, enabling a wider array of tools for maintaining affordability.

2 Policy Environment

The summaries in this section explain how this report fits in with the larger policy goals of the Federal Government, Provincial Government, and the City of Hamilton.

2.1 Provincial Policy Statement

The 2005 Provincial Policy Statement affirms the need for "establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households". Furthermore, planning authorities are required to facilitate "all forms of housing required to meet the social, health and well-being requirements of current and future residents, including special needs requirements". Higher densities should be encouraged, in order to "support the use of alternative transportation modes and public transit in areas where it exists or is to be developed". (Provincial Policy Statement, 2005)

These provisions give strong support for the inclusion of affordable housing near rapid transit, so as to maximize the social benefits for those residents.

2.2 MoveOntario 2020

A precursor to The Big Move, MoveOntario 2020 identified Hamilton's B-Line as a rapid transit corridor with expanded service by 2020. This plan, which included rapid transit projects across the Greater Toronto and Hamilton Area, was intended to

be fully funded by the provincial and federal governments. However, that funding arrangement has since lapsed. (Office of the Premier, 2007)

2.3 The Big Move: Regional Transportation Plan

This report, which was published in 2008, identified five rapid transit corridors in Hamilton, including the B-Line (from McMaster University to Eastgate Mall). The City of Hamilton used these five lines to create the City's "BLAST" network, a plan for the expansion of rapid transit over 25 years. The B-Line is the first priority of this plan, and is intended to be completed within 15 years.

2.4 Provincial & Federal Affordable Housing Funding

Upper levels of government are the largest financial contributors to affordable housing in Hamilton. Very few affordable housing projects are realized without funding from upper tiers of government.

Both federal & provincial governments have contributed funding to various affordable housing programs in Hamilton, including the Hamilton Affordable Housing Partnership Initiative (HAHPI) and the Community Rental Housing Program. (Housing Support Programs for the Development of Affordable Housing, City of Hamilton, 2011)

In 2002, the Community Rental Housing Program received \$489.42 million from provincial and federal governments, which leveraged the construction of 159 new affordable units. In 2005, a further \$15.25 million was committed for the City of

Hamilton under the Canada-Ontario Affordable Housing Agreement. Hamilton saw 162 new affordable rental units as a result of this investment. (Housing Support Programs for the Development of Affordable Housing, City of Hamilton, 2011)

The Ontario Government has also promised new funding that will, if re-elected, be allocated to affordable housing initiatives throughout the province. Details of such funding are currently unavailable. (Sarin, 2011)

2.5 Hamilton Housing Policy

Hamilton spends \$32 to \$33 million annually on subsidized housing, mostly through CityHousing Hamilton, the City's affordable housing agency. (Keys to the Home, 2004)

CityHousing Hamilton has recently sold 90 of its rental units to tenants, thereby converting some rental units to affordable ownership units. This has the benefit of stability for the residents in CityHousing's buildings that wish to own their home. It also provides a source of revenue for CityHousing. To replenish the rental supply for the approximately 3,000 people on the waiting list for rental units, CityHousing plans to construct 2 new units for each one that has been sold. This is an ambitious but necessary plan, as no new rental housing has been constructed in the B-Line by CityHousing over the last 18 years. (Sarin, 2011)

The City of Hamilton waives development charges for new affordable residential developments that qualify for federal or provincial funding. New construction

under the Community Rental Housing Program, for example, would qualify for an exemption from development charges. (Keys to the Home, 2004)

2.5.1 Keys to the Home

Hamilton adopted this housing strategy in 2005, which lays out broad policy goals for affordability. It makes a number of recommendations, including the need for policies on the following topics: condominium conversions, maintenance of Hamilton's dwelling stock, intensification, housing supply, accessory apartments, and development costs. The report states: "Official Plan policies should articulate the concept of an affordable housing continuum and the objective to facilitate the provision of a wide range of housing forms to meet the diverse housing needs of current and future Hamilton residents of all backgrounds and lifestyles." (Keys to the Home, 2004)

Since the adoption of this policy, some progress has been made on these objectives. The New Hamilton Urban Official Plan includes provisions for as-of-right accessory apartments, an initiative that will vastly increase the availability of legal affordable housing in the city, while ensuring the safety and security of tenants. Construction costs are the single largest barrier to investment development, causing lagging investment in the B-Line (Johnson, 2011). As for condominium conversions, Hamilton has not yet enforced a distinct policy. The issue of condo conversions has not been particularly harmful to affordability in the B-Line, mainly due to the high vacancy rate in the city. (CMHC Rental Market Report, Hamilton and Brantford CMAs, 2010)

2.5.2 Council-Endorsed Social Assistance Report

In July 2011, Hamilton city council was presented with a report on the need for an evidence-based social assistance policy. Council approved a motion to encourage the provincial government to adjust social assistance benefits based on evidence, rather than ideology. (Wong, 2011) This signals a desire for council to provide adequate social assistance to its residents based on evidence, which suggests that a strategy for preserving affordable housing along the B-Line corridor would find support in council.

2.5.3 Growth Related Integrated Development Strategy (GRIDS)

This document breaks down the population projections that Hamilton must reach to fulfil its obligations under the provincial Places to Grow Act. The preferred growth strategy envisions a nodes and corridors structure that projects an additional 58,400 residential units within the existing urban boundary by 2031. 26,500 of these units are to be intensification developments. (Growth Related Integrated Development Strategy: Growth Report, 2006)

This intensification target is within the possibility of current market conditions, as identified by Clayton Research. GRIDS reserves major nodes and corridors as the places where a majority of intensification should occur. The downtown node, which makes up a portion of the B-Line, is expected to absorb 10,000 of these new intensified residential units. (Growth Related Integrated Development Strategy: Growth Report, 2006)

To improve the affordability of the corridor, aggressive policies to increase the supply of affordable units must be adhered to. The “hot” investment climate that LRT would bring to the B-Line would allow for the intensification targets to be met while including provisions for affordability.

2.5.4 Inclusionary Zoning and Density Bonusing

Inclusionary zoning and density bonusing are two approaches to encourage the development of affordable units in desirable housing markets.

Hamilton does not currently have an inclusionary zoning policy in place, and therefore cannot require a certain proportion of new residential units to be affordable. While Hamilton lacks this useful tool, new affordable units built with HAHPI funding are required to keep units affordable for a specified period of time – usually 20 years. (Sarin, 2011)

Density bonusing is possible in Hamilton, though it is not used currently because there is not enough market demand. Developers are very unlikely to exceed the city’s height limits, so there must first be a desire for dense construction before density bonusing becomes a viable tool for increasing the supply of affordable housing. (Johnson, 2011) The introduction of rapid transit in the B-Line could provide such a catalyst, seeing as property values are highly likely to rise with the introduction of LRT. (Pollack et al., 2010)

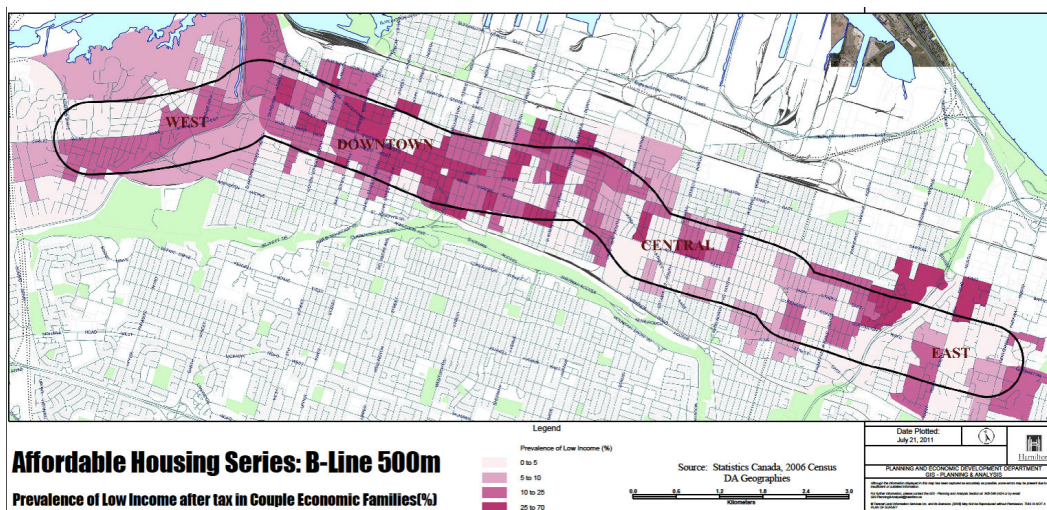
3 Impact of Affordable Housing on Ridership

Levels

Some of the literature that was reviewed for this report concluded that mixed-income (as opposed to fully market rent) transit-oriented development ensures stable ridership levels. This is based on the assumption that higher-income households are more likely to own personal vehicles, and therefore will use transit less often. (Austin et al., 2008)

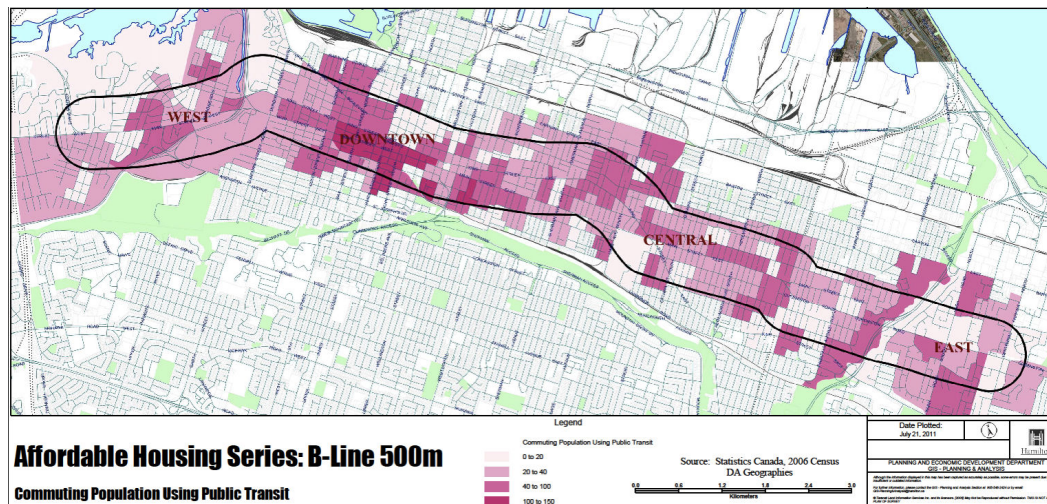
The conclusion drawn above seems to be supported by the congruency of spatial trends in income and public transit use in Hamilton, as shown in Figs. 1 and 2.

Figure 1: Spatial Distribution of Low Income in the B-Line



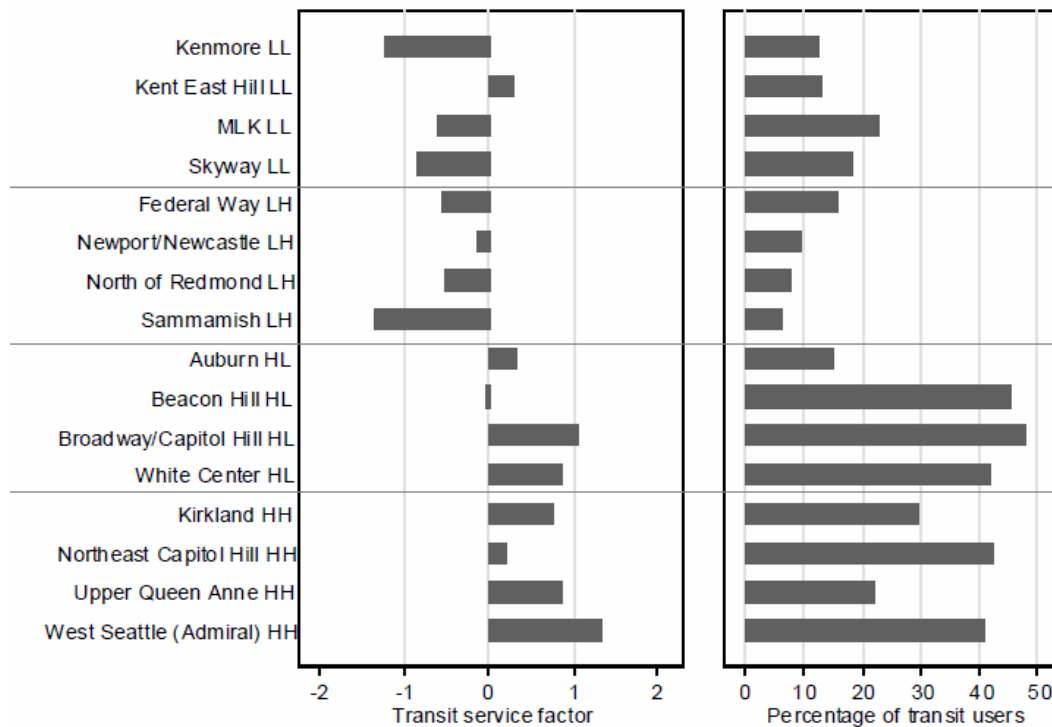
Source: City of Hamilton, Planning and Economic Development Department

Figure 2: Spatial Distribution of Public Transit Use in the B-Line



Source: City of Hamilton, Planning and Economic Development Department

One might conclude that this spatial relationship is causal, but a study conducted at the University of British Columbia offers a different explanation: walkability as a lurking variable. A survey of Seattle neighbourhoods (Lachapelle, 2010) did identify a relationship between income level and transit use, but the correlation was only significant in neighbourhoods with low walkability, i.e. areas with a suburban street layout (Fig. 3). In neighbourhoods with high walkability (i.e. traditional street grid), levels of transit use between low- and high-income households were similar. As the B-Line corridor is generally a highly walkable area, the amount of affordable housing would not appear to significantly affect ridership levels.

Figure 3: The Effect of Income and Walkability on Transit Use

Note: LH: Low walkability and high income; HL: High walkability and low income; etc.

Source: Lachapelle, 2010

The City of Denver has experienced a similar trend that supports Lachapelle's conclusion: Residents of that city's walkable LoDo neighbourhood tend to drive less and use transit more often than residents in more suburban neighbourhoods, even though the proximity to transit may be identical. (Belzer, 2007)

From these studies, it can be concluded that affordable housing is not absolutely necessary to ensure high ridership along the B-Line. However, this fact does not mean that affordable housing should be relegated to transit-poor areas. The lower rates of vehicle ownership among low- and moderate-income households mean that they are necessarily more dependent on other modes of transportation, such as

public transit. Therefore, every effort should still be made to preserve the affordability of housing in the B-Line corridor.

4 B-Line Spatial Characteristics

The B-Line traverses the main east-west arterials of Hamilton's lower city – Main Street West, King Street, Main Street East, and Queenston Road (Fig. 4). While the neighbourhoods it travels through differ widely in character, they do have some things in common.

Figure 4: B-Line Corridor showing West, Downtown, Central, and East Sections



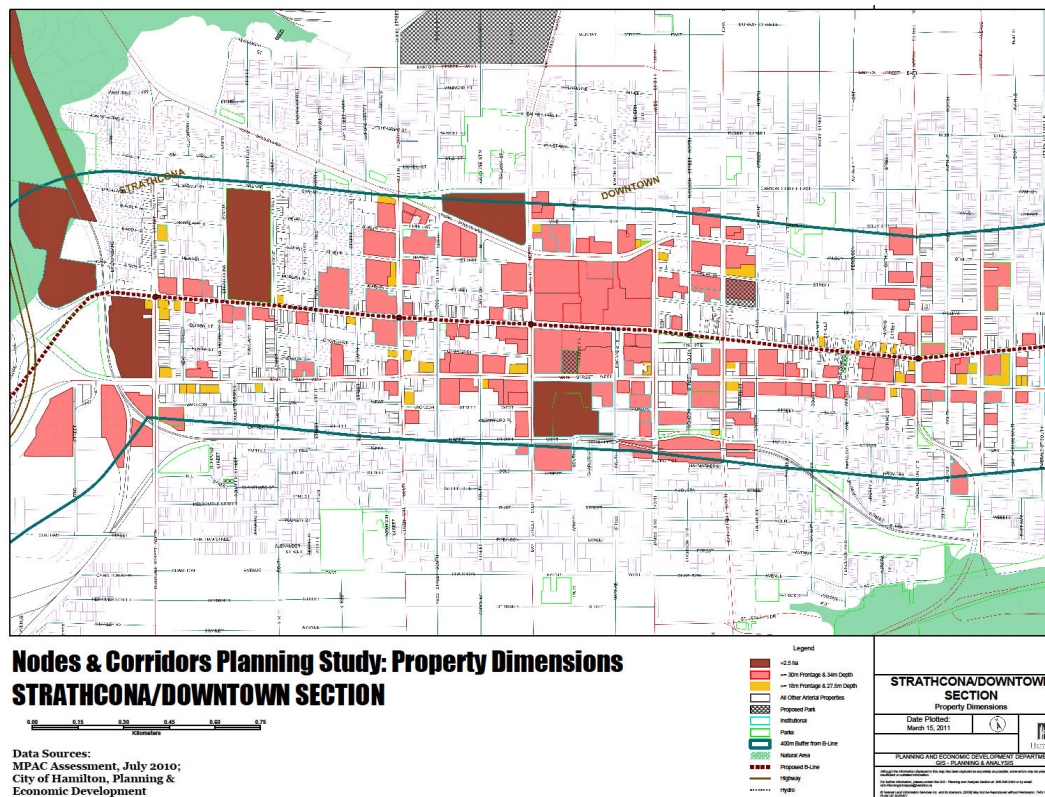
Source: Nodes and Corridors B-Line Background Report

4.1 Parcel Size and Vacant Lots

Foremost among these similarities is the scarcity of vacant land. As noted in some of the case studies that will be examined, the availability of large developable vacant parcels can significantly increase the potential for new development near rapid transit lines.

In July 2010, the Municipal Property Assessment Corporation (MPAC) conducted an assessment of land parcel sizes along the corridor. It identified a number of parcels that are large enough to accommodate mid-rise development. (Fig. 5) Mid-rise development potential is important for affordable housing, because it is usually only fiscally viable to construct affordable housing with 50 or more units. (Center for Transit-Oriented Development, 2008)

Figure 5: Land Parcels Large Enough for Mid-Rise Development in the B-Line



Source: Municipal Property Assessment Corporation (2010)

The map in Figure 5 shows the most built-up area of the B-Line, with many lots (orange, red and pink) large enough for mid-rise development. However, only one of these parcels is a truly vacant lot (southwest corner of Queen St. and Napier St.). All

the other large parcels in the B-Line corridor have existing uses, such as public parks, existing buildings, and surface parking lots. As the development of public parks is not an option, new construction along the B-Line must make extensive use of redevelopment and infill. This may deter investment in the B-Line due to increased costs for remediation and redevelopment.

In the downtown, where there are many surface parking lots within the immediate influence area, redevelopment of these parking lots presents the greatest opportunity in the corridor for transit-supportive land uses and high density development.

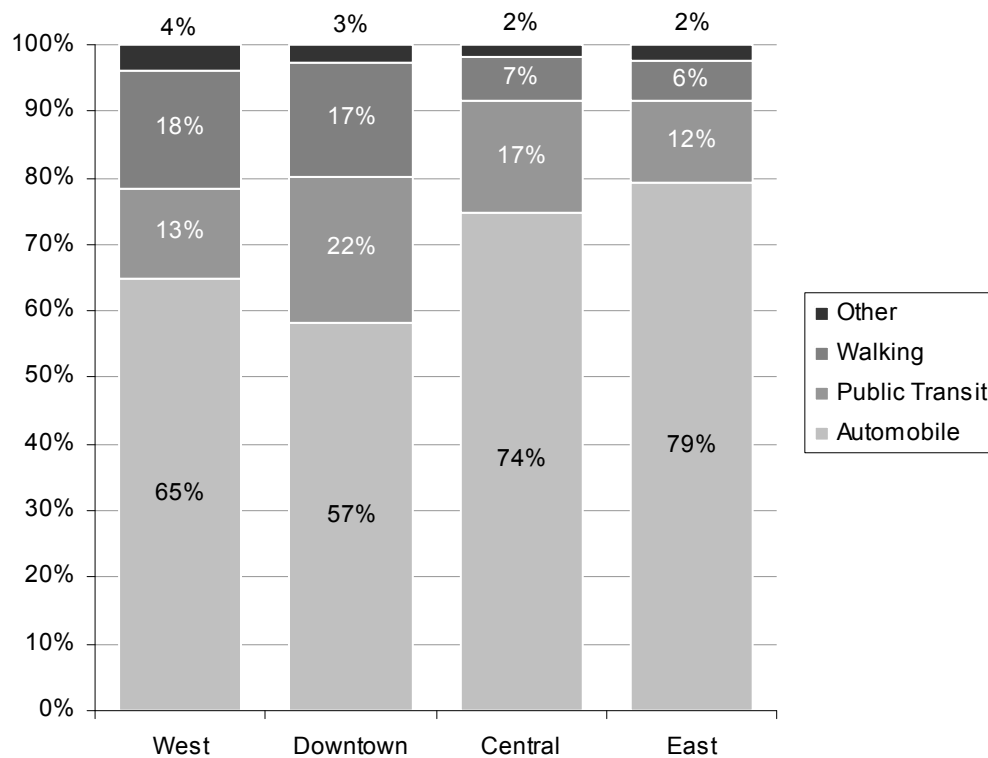
To further incent mid-rise development, new larger parcels may be created by reassembling neighbouring residential properties at key locations along the corridor to make higher density development more feasible.

4.2 Transit Use and Mode Share

The B-Line is currently the best-served area of the city in terms of transit. Four bus routes run along the corridor, with north-south bus connections at nearly every major intersection. Hamilton Street Railway, the city's transit operator, conducted an operational review that found over 80 passenger boardings per capita in the B-Line corridor for the 2007 fiscal year – the highest rate of any corridor in the city (see Appendix A). The introduction of rapid transit in the B-Line corridor will bolster its role as the city's central transportation artery. (HSR Operational Review, 2010)

Within the B-Line corridor itself, the mode share of commuters varies significantly. The downtown section has the highest use of public transportation, while automobile use is most prevalent in the more suburban east end. (Fig. 6) A rapid transit line may make public transport a more viable alternative for commuters in the east and central sections of the city, where travel by automobile is most prevalent.

Figure 6: Mode of Transportation to Work



Note: "Automobile" includes drivers and passengers. "Other" includes Bicycle, Motorcycle, Taxi, and other modes.

Source: 2006 Census (Statistics Canada)

The above chart represents only the mode of transportation to and from work, and does not represent the proportion of people that use transit for leisure, shopping, appointments, or other activities.

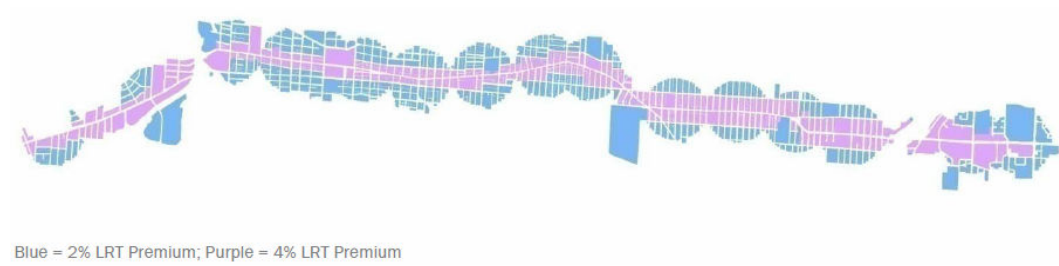
4.3 Influence of LRT on Property Values

Two examples are given to justify a 500 m buffer zone as the area of immediate influence for property values. In Portland, Oregon, an increase in property values of 10.6 per cent was observed for homes within 500 m of the LRT line. Similarly, office space rents in Toronto command a 10 per cent premium if they are within 500 m of a TTC subway station. If we assume that Hamilton will experience a similar increase in rents and property values within 500 m of the B-Line, we can put specific programs in place to protect the affordable housing stock in that area. (IBI Group, 2009)

A cost-benefit analysis released by Metrolinx estimated the potential value uplift along the B-Line corridor. A 500 m catchment area was used. Based on a comprehensive review of approximately 150 studies, a full LRT system in Hamilton would be directly responsible for an increase of 2-4 per cent in land values of non-vacant residential properties within the catchment area. This uplift includes only the effects directly attributable to the light rail infrastructure itself, and does not take into account the additional increase in property values attributable to zoning changes, land use policy, or other City initiatives. (Hamilton King-Main Rapid Transit Benefits Case, 2010)

These findings were echoed in a report on value uplift by the Canadian Urban institute, though it used a different catchment area (Fig. 7).

Figure 7: Estimated Value Uplift due to Rapid Transit



Source: Hamilton B-Line Value Uplift and Capture Study (2010)

The B-Line Background Information Report , prepared by Hamilton's Nodes & Corridors staff in 2010, also defines an immediate influence area of 500m from the proposed rapid transit right-of-way. It is in this catchment area that all demographic information, including income and housing statistics, is measured.

5 Hamilton's Housing Market

Residential properties within the immediate influence area are far from uniform. There are several distinct neighbourhoods, each with its own character, traversing the length of the B-Line. To simplify the analysis, this report will split the corridor into four sections: West, Downtown, Central, and East. These are the same sections that were used in the demographic analysis for the Nodes & Corridors B-Line Background Information Report. (See Fig. 4)

Over the past few decades, a lack of new rental construction, coupled with the conversion of some rental units to condominiums, has resulted in a decrease of the number of renter households in Hamilton. (Mayo, 2011)

That said, the introduction of LRT is projected to be responsible for an increase of 3,755 square metres of single-family residential housing and 245,458 square metres of multi-residential housing along the B-Line corridor within 15 years of operation. This increase is over and above the investment that would occur in a business-as-usual scenario. (Hamilton B-Line Value Uplift and Capture Study, 2010) There is definite opportunity to leverage that investment to address the deficit of affordable rental units.

In terms of housing tenure, the majority of downtown properties – 79 per cent – are rented. This compares to 43 per cent for the west section, 38 per cent for the central section, and 47 per cent for the east section. While both rental and owned properties can be subject to affordability concerns, in the Downtown section the high

prevalence of rental properties necessitates a different strategy than the other segments of the corridor. (B-Line Background Information Report, 2010)

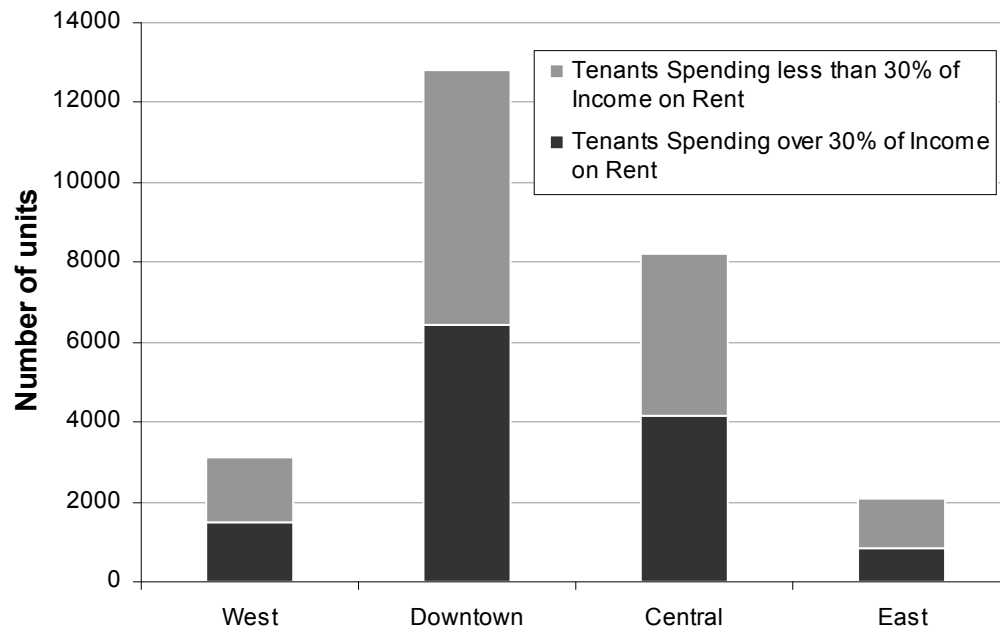
A 2010 study by the Canadian Urban Institute found that investment in LRT would result in higher rents and property values, as well as additional infill development. The study compared the station areas along the B-Line to similar station areas in Dallas, Portland, and Minneapolis - all cities that had a similar economic climate as Hamilton has today before they built their LRT. The station areas with the greatest development potential, according to the study, are Gore Park (Downtown), McMaster Innovation Park (West), and Scott Park (Central). (Hamilton B-Line Value Uplift and Capture Study, 2010)

The Nodes & Corridors B-Line Background Information Report identifies specific properties, mostly fronting directly on the corridor, that have uplift potential for new mid-rise development. The criteria for such development is that lots be at least 18 metres wide and 27.5 metres deep. Along the B-Line, especially in downtown Hamilton, opportunity for development on vacant lots of this size is extremely limited. This means redevelopment and intensification will have to play a much greater role in the transformation of the B-Line corridor.

The 2006 census reports that 19 per cent of homeowners citywide spend more than 30 per cent of their income on major payments for their home. For renters, 44 per cent are in that situation. For the B-Line in particular, about 25 per cent of owners and half of renters are living in accommodation that is not affordable. The most

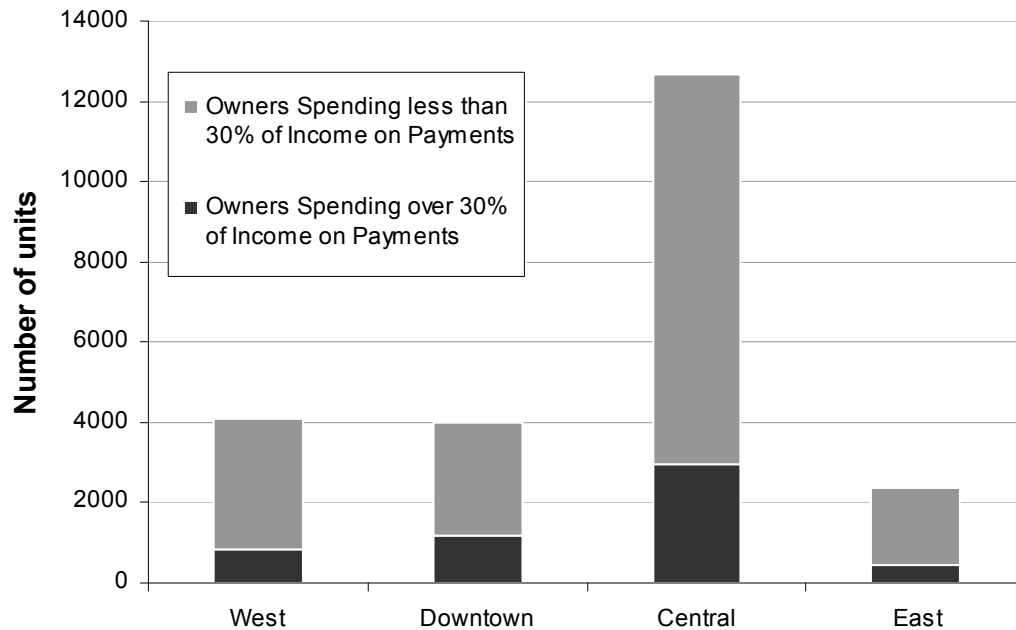
affordable area of the B-Line is the east end, with the downtown being the least affordable. (Figs. 7 & 8)

Figure 7: Rental Affordability in the B-Line



Source: 2006 Census (Statistics Canada)

Figure 8: Ownership Affordability in the B-Line



Source: 2006 Census (Statistics Canada)

In total, the number of rental dwellings slightly outnumbered the number of owner-occupied dwellings in the B-Line corridor, but overall the type of occupancy (tenancy vs. ownership) is evenly split along the B-Line. The exception is downtown, which has more than three times as many rental dwellings as owner-occupied ones. Therefore, an affordable housing strategy for the B-Line must take into account both rental and homeownership needs.

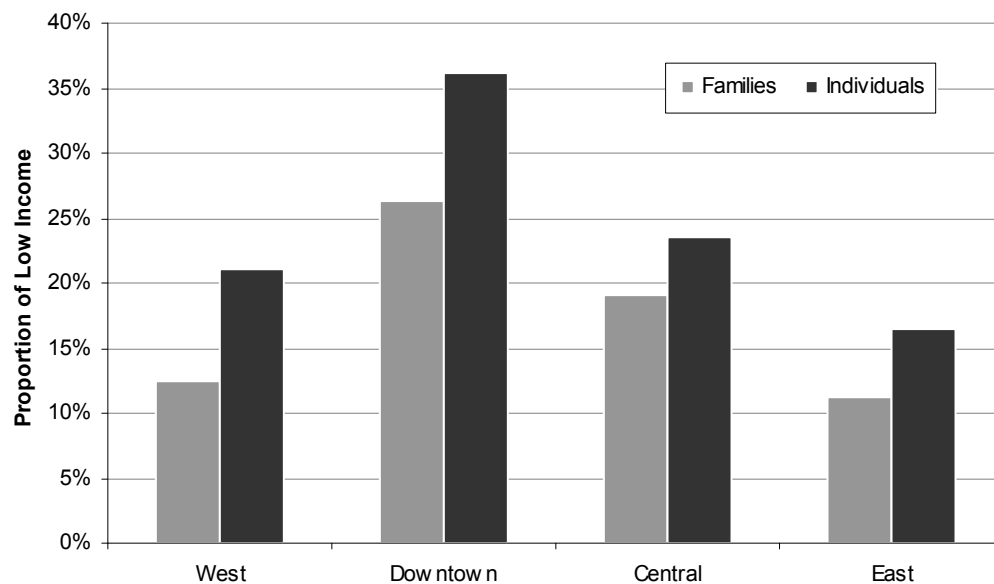
This data suggests that the preservation of existing affordable housing would do best to focus on owner-occupied dwellings, while new affordable developments should be focused on rental units.

5.1 Poverty Concentration

Hamilton suffers from a concentration of low-income neighbourhoods, some of which are found along the B-Line. Unchecked gentrification of the B-Line corridor would push Hamilton's low-income residents into even more concentrated areas of poverty. In fact, this is exactly what happened with the gentrification of Locke Street in the late 1980s and 90s. As the area became more affluent, residents and businesses were priced out of the market and forced to move to areas of Hamilton where poverty was already prevalent. (Johnson, 2011; Sarin, 2011)

While the low-income threshold is not a direct indicator of poverty, no exact measure of poverty currently exists, so it is the closest approximation available with census statistics. Figure 10 shows the prevalence of low income in the B-Line.

Figure 10: Prevalence of Low Income in the B-Line



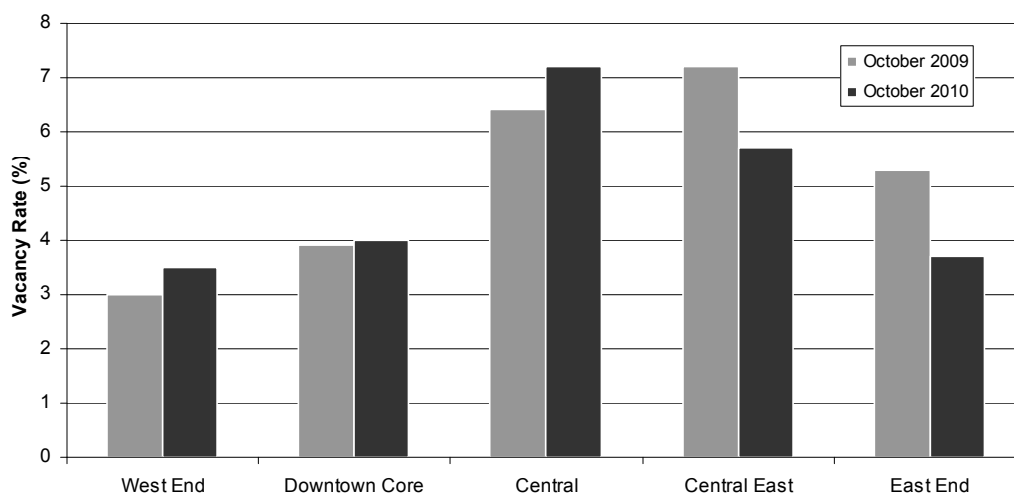
Source: Statistics Canada, 2006 Census

The high concentration of low income in the Downtown section means that rising property values have the potential to displace many existing residents. New residential development in the Downtown area should therefore ensure a mix of incomes.

Paul Johnson, the Director of Hamilton's Neighbourhood Development Services, has said: "It's really important, for social and political reasons, to address inequities between areas." (Nolan, 2011) The incorporation of affordable housing policy in the B-Line Corridor Secondary Plan aims to do that. Hamilton is extremely divided along geographic lines and a focus on the B-Line - the area of the city with the most problems with housing affordability - will help alleviate those inequalities.

5.2 CMHC Statistics

According to statistics from the Canada Mortgage and Housing Corporation (CMHC), Hamilton's vacancy rate is very high in the zones traversed by the B-Line corridor (Fig. 11). A vacancy rate of 2-3 per cent is generally considered a healthy rental market. (Council-Adopted Urban Hamilton Official Plan, 2009) The zones through which the B-Line corridor traverses exceed this rate across the board.

Figure 11: Private Apartment Vacancy Rates

Source: CMHC Rental Market Report, Hamilton and Brantford CMAs (Fall 2010)

The geographic areas in the above chart do not correspond with the influence area of the B-Line, and is therefore a rough approximation of the properties within the defined corridor. Nevertheless, this chart shows that a lack of rental supply is not necessarily the cause behind the B-Line's affordability problem.

Paul Johnson, Director of Neighbourhood Development, suggests that the problem isn't a lack of supply, but a lack of affordable supply. High construction costs make it difficult for developers to offer affordable rental units and still make a profit. Therefore, many units sit empty as their rents are too high for many people to afford. (Johnson, 2011)

Due to this predicament, it might be possible to increase the supply of affordable housing without constructing any new units, simply by subsidizing vacant units to allow property owners to offer more rent-geared-to-income units.

5.3 Condominium Conversions

Since 2007, eight condominium conversions have taken place in the B-Line corridor. They were all apartments, and they mostly occurred within the downtown area. (Condominium Conversions, City of Hamilton, 2010)

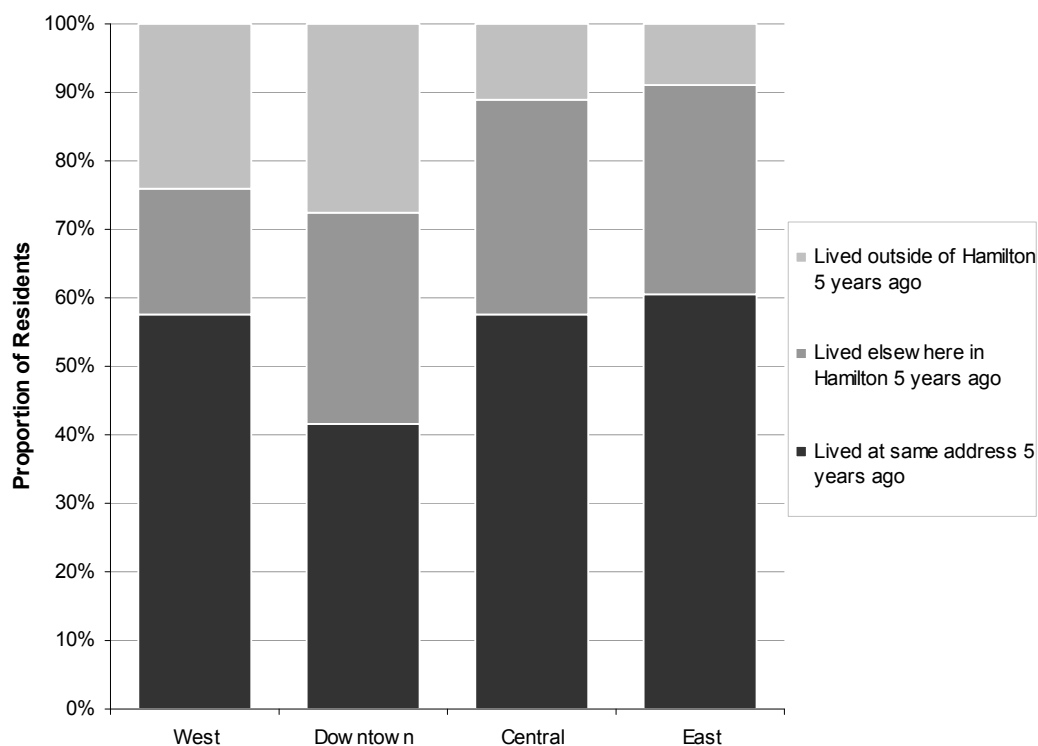
The New Urban Hamilton Official Plan includes provisions for protecting affordable housing against condominium conversions. If a conversion is not supported by at least 75 per cent of the existing tenants, it can only pass if it will keep the rental vacancy rate above 2 per cent, and if the current market rent of the units is not significantly below average. (Council-Adopted Urban Hamilton Official Plan, 2009)

These provisions are a step forward from the previous Official Plan, but they do not protect subsidized or rent-geared-to-income (RGI) units from condominium conversion. Using market rent levels as a baseline excludes the RGI units, and therefore does not encourage mixed-income development. Not only do condo conversions reduce the amount of rental units, they are most effective, under the new Official Plan, at removing the affordable units for mixed-income developments.

5.4 The Importance of Neighbourhood Stability

Using the Mobility and Migration data from the 2006 census, a picture of the B-Line's neighbourhood stability emerges (Fig. 11).

Figure 12: Neighbourhood Stability in the B-Line



Source: 2006 Census (Statistics Canada)

Predictably, the Central and East sections are the most stable areas of the B-Line. This can be explained by the high concentration of students in the West section, and the transient nature of the downtown section. Newcomers to a city often arrive in the downtown core before finding a more permanent accommodation.

Two conclusions can be drawn from this chart. First, with the exception of the students that dominate the West section, 30 per cent of B-Line residents (6 percentage points above average) moved there recently from elsewhere in Hamilton. This speaks to the desirability of living near the B-Line, which is the city's best-served area for transit (HSR Operational Review, 2010). Second, the highest proportion of affordable ownership housing is found in the most stable sections of the B-Line (i.e.,

Central and East), as was shown in Figures 7 and 8. Real estate speculation may upset this delicate balance, therefore it is imperative to protect the existing housing stock against a sudden increase in homeownership costs.

6 Preserving Affordability near Transit in Other Jurisdictions

The following section categorizes various tools for preserving affordability near transit that are used by other jurisdictions. There are four categories:

1. Enabling funding: creative methods of financing new affordable development;
2. Preservation: protecting the existing affordable housing stock;
3. Development incentives: tools that encourage developers to build affordable units; and
4. Transportation-housing affordability index: integrating the cost of travel with the cost of housing in planning to fully capture the entire picture of affordable development.

Planning policies can be very effective at mitigating against the meteoric rise of land values. However, to be effective, these tools must be in place well in advance, so as to properly plan for the long-term protection of affordability. (Pollack et al., 2010)

Minneapolis-St. Paul's new light rail line, the Hiawatha, which traverses some low-income neighbourhoods not unlike the B-Line, nevertheless saw immense investment into these areas because it was the first LRT line in the city. Similar rapid transit projects like the Indigo line in Boston and the West line in Denver didn't

provide as much uplift because there were already other LRT lines in place. This bodes well for the B-Line's potential to generate value uplift. However, the Hiawatha also traverses large developable formerly industrial lands, which is an added bonus for easy development. (Thorne-Lyman et al., 2008)

6.1 Enabling Funding

6.1.1 Acquisition Funds

A cautionary tale about land value increase can be found in the experience of the Lakewood Housing Authority, which bought a parcel of land that had been acquired by a real estate speculator, held for 8 days, and sold at a 69 per cent markup. When housing authorities and affordable developers fail to act quickly to secure land, speculation can significantly drive up the cost of affordable housing. (Thorne-Lyman et al., 2008)

6.1.1.1 San Francisco

The San Francisco Bay Area has established a mixed-income Transit-Oriented Development (TOD) acquisition fund. It serves to encourage the development of new affordable housing in areas close to transit. It is estimated that 50 per cent of future housing demand in transit-serviced areas will come from low-income households, but those are the same areas that have little vacant or underutilised land, compared to their counterparts that are not served by transit. (Center for Transit-Oriented Development, 2008)

The fund covers the costs of property taxes and other fees until a site is ready to be developed. Short-term funding can be allocated to facilitate mixed income transit-oriented development in "hot" markets where speculation is driving up the cost of vacant land. In a complementary fashion, long-term funding can be set aside for "cold" market properties that will be held for several years until mixed-income TOD is a financially viable development opportunity. This helps to keep the land price from increasing too quickly, which facilitates the development of better quality mixed-income development with a higher proportion of affordable units. (Center for Transit-Oriented Development, 2008)

In essence, the fund's money (provided by multiple investors but largely the municipal government) is used to acquire property outright or give low-interest loans for affordable housing developers to acquire property, before real estate speculation makes the cost of land skyrocket. (Center for Transit-Oriented Development, 2010)

The fund is used to temper the boom and bust nature of the San Francisco region's real estate markets. It makes it easier to integrate affordable housing in "hot" markets, giving developers an incentive to build mixed-income developments rather than completely market-rate units. For vacant properties that have gone unused for years as a result of low investment potential, the fund can help finance projects that are proactive about land acquisition. (Center for Transit-Oriented Development, 2008)

A developer who wishes to buy land near a proposed transit line for affordable housing may not have the details of the project finalized, nor have funding for

the project itself, but wants to make an offer to acquire the land. Under the acquisition fund, she can be quickly granted a loan with deferred interest payments to cover the costs of securing the land and paying property taxes until the affordable housing project is ready to be built. (Center for Transit-Oriented Development, 2010)

There are conditions, however, that may limit the fund's applicability to dense urban corridors. It favours areas that have large undeveloped parcels, so as to make the construction of new affordable development (which typically need at least 50 units) more feasible. Though it is geared towards development within nodes and corridors, it seems to be most effective in suburban industrial areas where investment is lacking. (Center for Transit-Oriented Development, 2008)

6.1.1.2 Denver

From now until 2030, 40 per cent of new housing demand near transit in Denver will come from low-income households. Mixed-income TOD initiatives help to meet that demand and, in the process, create true affordability by minimising transportation costs. Proximity to a transit network increases the number of employment opportunities available, which makes the region more economically competitive because its workers have choice. (Belzer et al., 2007)

Due to federal and state budgetary constraints, affordable housing subsidies are decreasing. Affordable developers don't have the necessary capital to hold land speculatively. Further, the rezoning process is lengthy and hinders the redevelopment of old buildings into mixed-income TOD. (Belzer et al., 2007)

Another innovative idea is to allow the transit authority to purchase land. This requires less bureaucracy than a traditional land acquisition fund. With the transit authority acting as a developer, it can ensure that mixed-income, dense, TOD is built near transit hubs - the kind of development that encourages ridership. (Belzer et al., 2007) Despite its effectiveness in theory, this method has been subjected to a legal challenge in Denver and requires that available land is plentiful near proposed transit stations. (Thorne-Lyman et al., 2008)

In Denver's West Line, the transit authority had the ability to hold land for purposes other than direct transit infrastructure. While this power is useful for ensuring transit-oriented development in proximity to the stations, it caused concern among property owners, who found that they were getting a less-than-anticipated price when they sold their properties to the transit authority. There is also a more general concern that the transit authority is overstepping its bounds with the ability to put commercial and residential projects on its "surplus lands". Colorado House Bill 1278 was subsequently proposed, limiting the transit authority's ability to buy land to only public transit purposes - not even park-and-ride facilities would be allowed. The bill has been postponed indefinitely and not signed into law, but it merits reflection when deciding which organizations should have land-use control in TOD projects. (Thorne-Lyman et al., 2008)

6.1.2 Tax Increment Financing

Tax Increment Financing (TIF) has been widely used in the United States for decades, and has become recognized as one of the best ways for cash-strapped municipalities

to spur investment in their communities. (Cunningham, 2009) In terms of affordable housing, TIF can be used to capture future property tax revenues, which are used to fund the up-front costs of affordable developments. Winnipeg and Calgary have recently used TIF to revitalize neighbourhoods. Manitoba's Community Revitalization TIF Act, which enabled the tool for use in Winnipeg, specifies affordable housing as one of the investment recipients.

The government of Manitoba stated in a press release: "This would mean that incremental property tax increases in the zone would be placed into a separate fund for time-limited period to pay for infrastructure and other economic supports in the zone. Once the zone is redeveloped, and the TIF zone is lifted the expanded tax base returns to the municipality, the province and the school division." (Government of Manitoba, 2008)

Calgary's Community Revitalization Levy is essentially a Tax Increment Financing tool that has proven successful at spurring development in the city's historic downtown, catalysing new investment that has brought a surge of residents to the area. (Cunningham, 2009) While not specifically geared towards affordable housing, the city was awarded a Brownie Award from the Canadian Urban Institute for excellence in brownfield redevelopment – due, in large part, to the TIF funding that made such redevelopment possible.

6.2 Preservation

When looking at the breakdown of income levels of transit riders, it is clear that transit riders are skewed to the lower end of the scale. Transit plays an important role in the job security of poorer households. An analysis on commute costs by the Brookings Institute found that for the working poor, driving to work used 8.4 per cent of their pay, compared to 5.8 per cent if they were able to take transit. (Pollack et al., 2010)

In the multivariate analysis undertaken by this report, the three variables most closely correlated with new rail transit infrastructure were: an increase in median gross rent, an increase in in-migration, and an increase in motor vehicle ownership. It is very unlikely that transit would cause a significant decrease in housing values or rents. (Pollack et al., 2010)

In areas that implement LRT, the rate of in-migration is nearly 5 per cent greater than that of the transit service area as a whole. There are significant increases in population (20%), median household income (nearly 80%), owner occupancy (nearly 150%), median housing value (500%), and percent of households with 2 or more cars (over 50%). (Pollack et al., 2010)

These statistics speak to the potential for low- and moderate-income households to be displaced by a new LRT line. In light of this, techniques for the preservation of affordable housing are of utmost importance.

6.2.1 Rent Control, Tenant Eviction Protection, Right of First Refusal, and Condominium Conversion Control

The City of Calgary, like Hamilton, has an affordable housing policy based on a spectrum of housing need that ranges from “No Shelter” to “Market Housing”. The city’s Office of Land Servicing & Housing creates incentives and develops policy to encourage affordable and entry-level housing opportunities. However, like Hamilton, Calgary lacks the supply of affordable housing to meet its demand. It lists the conversion of rental units to condominiums and the lack of new rental construction as two significant barriers to this goal. (Learn About Affordable Housing, City of Calgary, 2011)

A “just cause” eviction policy can help prevent the loss of affordable rental units by bolstering the rights of tenants to stay in places that are affordable and convenient for them. (Austin et al., 2008) The New Hamilton Urban Official Plan will help in this regard by affirming the right of tenants to live in accessory apartments without fear of eviction by city bylaw officials.

Rent control measures that are tied to Transit-Oriented Development could be targeted to Downtown Hamilton, where there is a high proportion of rental units. This would aid in maintaining affordability. A robust condominium conversion policy could add to this by allowing former tenants to have the first opportunity to buy new condo units at the same rate as their former accommodations. The benefit to this would be that developers can redevelop a rental building into condos with more

units. The existing tenants would be guaranteed a spot, and the new residents would pay market rent.

Montgomery County, Maryland offers the right of first refusal to the city's housing commission. Nonprofits have second right of refusal. Permanent affordability is the goal with this policy, and has made it a model for other jurisdictions to follow. (Belzer et al., 2007)

6.2.2 Inclusionary Zoning

Inclusionary zoning preserves affordability by mandating that new residential construction include a proportion of affordable units. They may be part of a general affordable housing policy, or negotiated on a site-by-site basis as Community Benefit Agreements. (Pollack et al., 2010)

While inclusionary zoning only deals with the construction of new units, it has been classified as a “preservation” tool because it actually deters development rather than incentivizing it. Inclusionary zoning puts restrictions on residential development in a specific area which may limit its profitability. Therefore, this is a tool that only works in “hot” real estate markets, where developers are willing to make concessions in order to construct new residential units.

Some municipalities allow developers to pay cash-in-lieu of affordable units, to fund the construction of more affordable units elsewhere in the city. (Curran and Wake, 2008) In Hamilton, such an allowance would not be advisable, because the intent of

an inclusionary zoning tool would be to preserve affordability in a specific geographic area – the B-Line.

6.3 Development Incentives

In cooler markets, incentives are needed to attract affordable development. Punitive measures such as inclusionary zoning are effective only when there is pent-up market demand for construction. As this is not currently the case in the B-Line, Hamilton must make creative use of development incentives to encourage the construction of new affordable housing.

6.3.1 Revised Parking Requirements

Parking requirements can be changed to facilitate the development of new high-density affordable units. By no longer requiring that each unit have a designated parking space, the cost of parking is disassociated from the cost of housing. Such a system encourages two things: it lowers the price of housing, making it more feasible for affordable units, and it encourages the use of other modes of transportation, such as rapid transit. This disassociation, called unbundling, has been found to reduce vehicle ownership in other jurisdictions by 10-20%. (Litman, 2011)

As innovative as these changes may be, however, the capital cost of parking as a proportion of total construction costs is not significant enough to spur affordable development on its own, at least not in Hamilton's current investment climate. (Sarin, 2011) While unbundling parking can play a part, other tools are clearly necessary to encourage the development of transit-oriented affordable housing.

6.3.2 Reduced Fees and Simplified Rezoning Process

Lowering brownfield remediation costs for affordable developers is a good way to ensure affordable infill development, especially in complicated downtown areas such as the B-Line. If improvements to water supply infrastructure, for example, are necessary, the developer can avoid paying those costs by designating a proportion of units as affordable housing.

Incentives can be as simple as waiving all fees and expediting development reviews for affordable housing that is served by transit, as is done in Austin, Texas. Similar programs exist in Portland, Denver, and Boston. (Zimmerman et al., 2009)

Without TOD-specific zoning, the zoning amendment process is lengthy and a barrier for developers. Adding more conditions for affordability might just turn developers away. (Belzer et al., 2007)

To promote the development of affordable housing, Calgary has appointed a single facilitator to manage any necessary rezoning at the same time as the development application is being reviewed. This streamlines operations and reduces the number of administrative hurdles for developers of affordable housing. (Contact Affordable Housing, City of Calgary, 2011)

6.3.3 Property Tax Abatement

The City of Portland has implemented a property tax abatement for transit-oriented development. Projects must be high-density, mixed-use developments within a designated geographical area. The city has also implemented a separate tax

abatement program for affordable rental housing. In both cases, property owners are protected from any increase in property taxes for a specified length of time – up to 10 years. (Portland Housing Bureau, 2011) Freezing property taxes allows for rents to remain stable, which makes living near rapid transit more viable.

While a tax abatement is similar to the aforementioned Tax-Increment Financing, it subsidizes the operating costs of a development, rather than providing upfront capital funding.

6.3.4 Bonusing

Density bonusing allows municipalities to negotiate with developers for the inclusion of affordable units in exchange for higher density. This would contribute to additional units along the corridor which further encourages rapid transit. If the developer doesn't want to manage the affordable units, it can sell to a local affordable housing organisation. An elimination of time limits on how long the units need to stay affordable for would ensure permanent affordability. (Belzer et al., 2007)

Bonusing can also apply to reduced parking requirements. Los Angeles gives density bonuses and reduced parking requirements for affordable housing in order to encourage new affordable residential development. (Zimmerman et al., 2009)

6.4 Housing and Transportation Affordability Index

There are significant benefits to integrating mixed-income housing with transit-oriented development. Unlike the affordable housing commonly constructed out

near the city limits or close to industrial lands, mixed-income TOD ensures the availability of affordable housing near affordable transportation. The proximity to transit increases access to jobs for those without a car, which tend to congregate along strong transit corridors. (Austin et al., 2008)

Illinois has developed a Housing & Transportation Affordability Index, which provides quantitative benchmarks in order to direct funding for transportation and housing assistance to areas where affordability is at risk. It's a measure that builds in transportation costs into the affordability picture and would be a very useful tool for deciding where to focus affordability initiatives. (Zimmerman et al., 2009)

Despite having an LRT line, Calgary has not included a transit component in its affordable housing strategy. Hamilton can learn from the innovations of Calgary's land use planning and housing policies, and build upon it by adding rapid transit into the mix.

7 Conclusions

Rapid transit will attract investment and raise property values.

Hamilton is currently in a “cold” housing market, but the investment climate will rapidly heat up once rapid transit along the B-Line corridor becomes certain. As one local developer stated, “No one is going to run in and buy up all this stuff on a dream.” (Macleod, 2011) Developers need certainty that LRT will be in place before they begin investing in new residential construction.

The substantial amounts of surface parking, especially in the downtown section, will have high development potential. The impending flurry of new residential units means that Hamilton will soon be in a position to use tools such as density bonusing and inclusionary zoning that may have deterred developers in the past.

Up-front construction cost is the largest hurdle for affordable development.

Hamilton currently waives development charges for new affordable units, but it has not been enough of an incentive to spur affordable development in the B-Line. More ambitious incentives like removing parking requirements, covering the cost of parcel reassembly, and covering infrastructure improvement costs are necessary to encourage affordable developments.

Affordable housing policies should not exacerbate the concentration of poverty in small areas.

While existing affordable housing should no doubt be preserved, the influx of residential development should aim for mixed-income dwellings that offer low- and moderate-income households choice in where they live along the corridor. Policies should encourage the coexistence of market rent units, rent-geared-to-income, rentals, and ownership units.

Affordable housing tools must be in place before the market is ready.

Hamilton's current low vacancy rate and affordable ownership housing in the B-Line should not be cause for complacency. Hamilton's affordable housing tools are not presently robust enough to address the challenges that lay ahead as increased development occurs along the B-Line corridor. Without the adequate policies in place ahead of time, affordability in the B-Line may worsen, further exacerbating the concentration of poverty in small pockets throughout the city.

8 Recommendations

Surface parking lot acquisition fund for mixed-income housing.

Due to the lack of truly vacant land in Hamilton's B-Line, a land acquisition fund such as the one in the San Francisco region will not likely increase the supply of affordable housing along the B-Line. However, this model could be modified by focusing on the redevelopment of surface parking lots (rather than the development of vacant land) into mixed-income developments.

Tax increment financing and property tax abatement.

Through the use of tax increment financing, Hamilton can use future tax revenues to encourage affordable development in the transition from a "cold" market to a "hot" market. A TIF zone for the B-Line would redistribute the property tax increases in one part of the B-Line to other parts, so as to diffuse the concentration of poverty.

Once a successful TIF has expired, further tools may be needed to protect affordable housing prices from skyrocketing. A tax abatement program, not dissimilar to the one in Portland, is recommended in order to give homeowners and developers of affordable housing the confidence to improve their properties without fear of increased property taxes.

Waived parking requirements.

Parking unbundling, in and of itself, does not give developers a significant cost savings. However, it is still a tangible cost reduction for new construction, and, combined with other initiatives, could make the difference between a vacant parking lot and a vibrant, mixed-income apartment in Hamilton's downtown.

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Glossary

Affordable

- a) in the case of ownership housing, the least expensive of:
 - 1. housing for which the purchase price results in annual accommodation costs which do not exceed 30 per cent of gross annual household income for low and moderate income households; or
 - 2. housing for which the purchase price is at least 10 per cent below the average purchase price of a resale unit in the regional market area;
- b) in the case of rental housing, the least expensive of:
 - 1. a unit for which the rent does not exceed 30 per cent of gross annual household income for low and moderate income households; or
 - 2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.

(Provincial Policy Statement, 2005)

Immediate Influence Area (also Corridor, B-Line)

A 500-metre catchment area around the rapid transit line, identified by the B-Line Background Information Report and the IBI Economic Potential Study as the area within which property values are strongly influenced by rapid transit infrastructure.

In this report, the terms “corridor” and “B-Line” are analagous with the immediate influence area.

Low and Moderate Income Households

In the case of ownership housing, households with incomes in the lowest 60 per cent of the income distribution for the regional market area; or in the case of rental housing, households with incomes in the lowest 60 per cent of the income distribution for renter households for the regional market area. (Provincial Policy Statement, 2005)

Primary Corridor

Areas, such as the B-Line, that are intended to provide major transit services and dense built form. These corridors already have rapid transit routes or are planned to include rapid transit in the near future. (Draft Urban Structure Plan and Official Plan Policies, 2008)

Rapid Transit

Limited-stop, high frequency transit service that operates in an exclusive right-of-way with signal priority over cross-traffic at intersections.

Regional Market Area

The area defined by the New City of Hamilton single-tier municipal borders. (Provincial Policy Statement, 2005)

Secondary Plan

Secondary Plans provide direction for future development, by means of land use plans and policies. They are adopted by amendment into the Official Plan, to ensure that their intent is binding. (Secondary Plans, City of Hamilton, 2011)

Transit-Oriented Development (TOD)

Development that promotes increased access and usage of transit through mixed use development, higher densities, and providing a high level of amenities in a pleasant, walkable area. (Transit Oriented Development, City of Hamilton, 2011)

Vacancy Rate

The proportion of units in a given area that are currently unoccupied and available to be rented immediately. (CMHC Rental Market Statistics, Spring 2011)

Appendix A

