

**To:** COUNCIL  
**Meeting Date:** 10/8/2024  
**Subject:** Additional Residential Unit Community Improvement Plan  
**Submitted By:** Laura Dewar, Acting Manager of Site Plan & Special Projects  
**Prepared By:** Nicole Goodbrand, Senior Planner  
**Report No.:** 24-109-CD  
**File No.:** N/A  
**Wards Affected:** All Wards

### **RECOMMENDATION(S):**

THAT Report 24-109-CD Additional Residential Unit Community Improvement Plan be received;

AND THAT Council approve the Additional Residential Unit Community Improvement Plan in Schedule A to report 24-109-CD and direct staff to open the CIP Program to Applicants as of November 1, 2024;

AND FURTHER THAT Council pass the attached by-law in Schedule B to report 24-109-CD enacting the entire City of Cambridge as a Project Area for the Additional Residential Unit Community Improvement Plan.

### **EXECUTIVE SUMMARY:**

#### **Purpose**

This report presents Council with recommendations for a proposed Additional Residential Unit Community Improvement Plan, which aims to accelerate the legal construction of this form of housing through a financial incentive.

#### **Key Findings**

The proposed CIP is one of nine projects the City has agreed to deliver through the Housing Accelerator Fund (HAF) Program with Canada Mortgage and Housing Corporation (CMHC). Based on building permit data, Additional Residential Units (ARUs) are considered a significant driver of housing growth across Cambridge currently and in the foreseeable future. This report discusses the other social and economic benefits associated with the creation of legal ARUs.

## Financial Implications

The proposed CIP will offer eligible candidates up to \$10,000 in rebate funds to recover costs spent on the construction of a new Additional Residential Unit.

### STRATEGIC ALIGNMENT:

Strategic Action

**Objective(s):** PLANNING FOR GROWTH - Provide for a mix of development, uses and amenities in order to meet the needs of a changing and diverse population

**Strategic Action:** Increase housing options

OR

Core Service

**Program:** Not Applicable

**Core Service:** Not Applicable

### BACKGROUND:

#### Community Improvement Plans

Community Improvement Plans (CIPs) are tools used to support and encourage physical improvement and investment within a delineated area of the city or city-wide. Section 28 of the Planning Act provides powers to the municipality to develop a Community Improvement Plan and offer financial incentives to be used by private property owners and developers to undertake improvement projects.

#### Additional Residential Units

In November 2022, the Provincial Government enacted legislation requiring municipalities to allow as of right up to two Additional Residential Units (ARUs) within any single detached, semi-detached and townhouse dwelling (primary dwelling) on its own independent urban lot. An ARU is defined in By-law 23-077 as self-contained residential dwelling units, with its own cooking facility, sanitary facility and sleeping area, that either forms part of and is attached to the principal dwelling or is located within a detached building on the same lot as the principal dwelling. These ARUs are also required to be constructed with a building permit in accordance with the Ontario Building Code. The City's Additional Residential Units By-law 23-077 sets out the zoning regulations for ARUs, including setbacks, parking, access to and location of entrances.

ARUs are a form of gentle housing intensification that results in additional rental housing stock and can make it more attainable to own a home. Among other benefits, the rental income generated by the ARU offsets the associated costs of maintenance, taxes and financing.

### **Housing Accelerator Fund Action Plan – ARU CIP as Project #3**

In February 2024, the City was selected to participate in the Housing Accelerator Fund (HAF) Program, administered by the Canada Mortgage and Housing Corporation (CMHC). Through this program, municipalities receive funding to complete various projects aimed at accelerating the creation of new housing units over the next 3 years. The City entered into a Contribution Agreement with CMHC in February 2024 which sets out a payment schedule for funding, and an Action Plan containing 9 projects with completion timelines.

Project #3 of the Action Plan is the creation of an ARU Financial Assistance Program. This financial assistance program must be created through a CIP. The CIP has a number of objectives, including:

- Create more legal Additional Residential Units;
- Make homeownership more affordable;
- Create more options for multi-generational living; and
- Achieve gentle intensification in existing neighbourhoods, using existing municipal infrastructure.

The City is required to achieve a target of 2,972 new units through permits issued over the first 3 years of the HAF Program. Additional Residential Units represent approximately 750 units of that target, based on an average of 250 ARUs permits issued annually.

### **ANALYSIS:**

#### **The Additional Residential Unit Community Improvement Plan**

Through the Housing Accelerator Fund, the City has been allocated a budget of \$1.5 million dollars for the ARU Financial Assistance Program. This is the only intended funding source for the proposed CIP.

Staff are proposing this new CIP be initiated through Council approval to provide financial support to property owners which have completed renovations to construct an ARU. The proposed parameters of the project would have applicants eligible for rebate on costs incurred for:

- upgrading of sanitary and water services;

- professionally prepared permit drawings; and
- hard construction costs (labour and materials).

Applicants are eligible to apply for and be awarded grant funding under this program, subject to meeting all of the following program eligibility criteria, (and subject to their place in priority sequence of all applications received, and availability of funding):

1. The Application Form is completed and signed by the Owner of the Property containing the ARU.
2. The property containing the ARU is within the City of Cambridge.
3. At the time of application, an ARU has been constructed on the property with a building permit, occupancy has been granted and the permit has been closed by the inspector.
4. The building permit application for the ARU was submitted to the City of Cambridge no earlier than September 1, 2024.
5. A copy of all paid invoices/receipts for any of the works listed below related directly to the construction of the ARU is provided with the Application:
  - a. Upgrading of sanitary building sewer\* and/or water service pipe;
  - b. Building Permit drawings prepared by a qualified designer;
  - c. Hard Construction Costs; and
  - d. Labour Costs

\*Refer to Program Definitions in Section 8.4.
6. There are no outstanding taxes on the property.
7. There are no outstanding charges or orders issued by the City of Cambridge for the property.
8. There are no construction liens on the property.
9. Construction of the Additional Residential Unit did not commence prior to the issuance of the Building Permit.
10. No previous financial incentive was issued under the ARU CIP program for the property.

The City may request additional evidence or documentation to confirm eligibility. The Chief Planner has the right to issue a notice of refusal for any application that is deemed ineligible. There is no recourse for an owner to challenge the issuance of a notice of refusal. The CIP also covers the changes to the CIP that can be contemplated with and without out a formal amendment.

## Considerations

Internal research completed identified that the average cost to construct an ARU is \$47,232, thus it is anticipated that this program will provide a financial support for residents wanting to facilitate additional residential units on their property, while also

ensuring a substantial number of residents have access to the funding over the program's span.

There is expected to be a high level of interest and applicants for this program. To ensure the funding produces the best results and is made fairly available to as many property owners as possible, access to the program will be limited to only 1 application per property, for the maximum funding amount of \$10,000, despite whether 1 or 2 ARUs have been constructed.

### **Next Steps**

Following final Council adoption, the next steps will be to generate interest in the program and to prepare the Online Application portal to receive applications and provide staff training in the administration of the program. The program is to launch November 1, 2024.

### **EXISTING POLICY / BY-LAW(S):**

#### **Planning Act**

Section 28 of the Planning Act and sections 106 and 365.1 of the Municipal Act, 2001 provide the legislative framework for community improvement planning (CIPs). CIPs are subject to Provincial approval, and the preparation of a community improvement plan is treated in the same manner as the preparation of an Official Plan.

Subsection 28(5) of the Planning Act incorporates the provisions of Section 17 regarding requirements for consultation and statutory public meetings, submissions and comments, adoption of the community improvement plan, and prescribed notice.

#### **City of Cambridge Official Plan**

In accordance with the City of Cambridge Official Plan, the entire municipality is designated as a community improvement area and Council may, by by-law, designate part or all of the community improvement area as a Community Improvement Project Area and prepare a Community Improvement Plan (s.10.15 (3)).

Further, community improvement initiatives may be undertaken to address "areas exhibiting symptoms of physical, functional, and/or economic decline (e.g. buildings in need of rehabilitation, high vacancy rate, decrease in retail sales)" (10.15.2 (c)). The intent and purpose of such a policy in the Official Plan was to permit the creation of incentives.

Policy 10.15.1 outlines the reasons that a Community Improvement Plan may be created. The reasons related to this CIP include:

- “to improve the quality of the housing stock” – the CIP encourages those creating an ARU to do so legally, with a building permit, which guarantees the quality of the ARU; and
- “to promote intensification opportunities” – ARUs are a form of gentle intensification, which is permitted as of right. This housing form encourages investment in the stability of lower density neighbourhoods and residents to remain in their neighbourhoods longer.

To introduce a new Community Improvement Plan, under Policy 10.15.3 Council must pass a by-law designating the area of the City that would be eligible for that CIP as a Community Improvement Project Area. For the purposes of the proposed ARU CIP, all areas of the City which permit ARUs would be designated by by-law as the Community Improvement Project Area.

It is important to note that without an approved Community Improvement Plan, incentives such as grants and loans to some private property owners would generally not be permitted under section 106 of the Municipal Act, 2001. Under this section, municipalities cannot grant ‘bonuses’ by assisting, among others any commercial enterprise, which would include most residential landlords. An approved CIP allows for an exception to the ‘bonusing’ prohibition.

### **FINANCIAL IMPACT:**

Investing in the creation of ARUs will result in nominally increased taxes on those properties, and the overall tax base for the City.

There are no City or Regional development charges paid on ARUs, except where the ARU is being created at the same time as the principle dwelling (with one building permit); the School Boards apply development charges in all cases.

The proposed Financial Assistance CIP for ARUs would use funding received from CMHC through the Accelerator Fund Program, and not funds from the City’s tax levy for both program administration and ARU program grants. This CIP currently has a budget of \$1.5 million. There is no tax impact as a result of the program.

At the time of this report, the City had received \$3.3 million in HAF funding and is eligible for up to \$10 million in additional HAF funding from CMHC, subject to performance reporting.

### **PUBLIC VALUE:**

#### **Sustainability:**

This CIP will support sustainability by increasing the City’s rental housing stock through the use of existing municipal infrastructure, on existing lots, and within existing

residential structures.

### **Leadership:**

This CIP may reduce the number of illegally created residential units, enables residents to secure attainable rental housing and makes home ownership more affordable. It will also provide support for multi-generational living.

### **Collaboration, Transparency, Engagement:**

The CIP process requires transparency, involvement and collaboration with the public to guide the development of the CIP, the funds to be used and allocated, the criteria or qualifications to access the funds, other terms, conditions and CIP objectives, and the final reporting requirements.

### **ADVISORY COMMITTEE INPUT:**

As part of the consultation process required for the CIP, staff consulted with the following advisory committees by circulating the draft CIP to gain their feedback in preparing the final CIP.

- Accessibility Advisory Committee
- Economic Development Advisory Committee
- Municipal Heritage Advisory Committee

These Committees offer valuable input on the creation of housing, and perspective on impacts to the local economy, and special heritage and accessibility considerations. The feedback received from these Committees will be included in the recommendation report to Council containing the final CIP.

### **PUBLIC INPUT:**

The Planning Act requires public meetings be held before a Community Improvement Plan (CIP) can be considered by Council for adoption. The purpose of these public meetings is to provide the community with the required information regarding community needs to ensure any incentive-based programs address the needs and challenges of existing and future development in the Core Areas. The mandatory Public Meeting was held on September 10, 2024. The meeting was advertised on the City website and in the Waterloo Record in accordance with the Planning Act.

Staff did receive verbal feedback and inquiries at the Public Meeting. The general nature of these comments is captured below.

**ARUs and Heritage Buildings:** A new automated process through the City's Amanda database software is being implemented to send notifications to Heritage Planning staff regarding any new building permit applications on properties that are adjacent to a Heritage property. Staff will advise the City's Municipal Heritage Advisory Committee

(MHAC) of these permit applications on the next upcoming meeting agenda. This may take place after the building permit has been issued, given the legislated timeframe for issuance of building permits. A building permit to create an ARU on a property designated under the Heritage Act would be subject to the same requirements and approvals as any other building permit on a property designated under the Heritage Act.

**Compatibility with Other Programs:** Council raised a question about the ability to utilize the proposed CIP program in conjunction with other funding opportunities, such as the Ontario Renovates program which is facilitated by the Region. The CIP program is intended to be utilized alone or in conjunction with other funding sources and programs, as long as the work completed meets the eligibility criteria as set out in the program.

**Parameters of the location or design of the ARU:** This program will have no effect on the requirements identified in the Zoning By-law, other local and regional planning policies, or the Planning Act in terms of restrictions on ARUs. Applicants will be required to meet all applicable law, including applicable zoning regulations, for their building permit and to ultimately be eligible for the program.

In addition to the mandatory Public Meeting, interested parties provided comments to Laura Dewar, Acting Manager of Site Plan and Special Projects.

#### **INTERNAL / EXTERNAL CONSULTATION:**

The Community Improvement Plan has been circulated to the following departments and agencies:

- Departments
  - Development Planning
  - Policy Planning Economic Development
  - Engineering Services
  - Building Services
  - Legal Services
  - the City Clerks Office
- Agencies
  - Municipal Affairs & Housing Municipal Services
  - Ministry of Transportation Corridor Management
  - Grand River Conservation Authority
  - Waterloo Catholic District School Board
  - Waterloo Region District School Board
  - GrandBridge Energy
  - Hydro One Networks Inc.



- Union Gas
- Ontario Power Generation

## **CONCLUSION:**

The City has committed to the creation of an Additional Residential Unit Community Improvement Plan, as one of the nine initiatives approved by CMHC through the Housing Accelerator Fund Program. ARUs are a form of gentle housing intensification that results in additional rental housing stock and can make it more attainable to own a home.

This Financial Assistance Program would incentivize the creation of Additional Residential Units, by offsetting the costs of preparing the building permit drawings, and other construction costs associated with this form of housing. Funding for the program would be exclusively from CMHC, through the Housing Accelerator Fund Program.

To create this Financial Assistance Program, a Community Improvement Plan must be approved by Council and a By-law designating the entire City as a Project Area must be enacted. Staff have undertaken the statutory consultation requirements in the completion of this Community Improvement Plan. Staff recommend that Council approve the Community Improvement Plan and Implementing By-law in Appendix A and B to this staff report. Pending no appeals, the City could begin accepting applications for the program and awarding funding by November 1, 2024.

## **REPORT IMPACTS:**

Agreement: **No**

By-law: **Yes**

Budget Amendment: **No**

Policy: **Yes**

## **APPROVALS:**

**This report has gone through the appropriate workflow and has been reviewed and or approved by the following as required:**

**Director**

**Deputy City Manager**

**Chief Financial Officer**

**City Solicitor**

**City Manager**

**ATTACHMENTS:**

1. 24-109-CD Appendix A – Additional Residential Unit Community Improvement Plan
2. 24-109-CD Appendix B – By-law Enacting City of Cambridge as Project Area for Additional Residential Unit Community Improvement Plan