



COMMUNITY IMPROVEMENT PLAN ADDITIONAL RESIDENTIAL UNIT FINANCIAL ASSISTANCE PROGRAM

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1 Introduction

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, semidetached and townhouse dwelling (primary dwelling) on its own independent lot in an urban area.

Definition of Additional Residential Unit as per By-law 23-077:

a self-contained residential dwelling unit, 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. It also supports the creation of alternative rental housing options which can be dispersed throughout a neighbourhood and a community.

2 Basis and Purpose of the Plan

In February 2024, the City was selected to participate in the Housing Accelerator Fund (HAF) Program, administered by CMHC. Through this program, municipalities receive funding to complete various projects aimed at accelerating the creation of new housing units from 2023 to 2026. 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 Additional Residential Unit Financial Assistance Program. This financial assistance program must be created through a

Community Improvement Plan and would be entirely HAF funded. 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.

3 Legislation

The Ontario Municipal Act and Planning Act are the governing legislation for community improvement planning. This legislation sets the rules on how municipalities may prepare community improvement plans and programs, including financial incentives.

3.1 The Municipal Act and Planning Act

Section 106(1) of the *Municipal Act* states: “a municipality shall not assist directly or indirectly any manufacturing business or other industrial or commercial enterprise through the granting of bonuses for that purpose.”

Exceptions are made in Section 106(3) of the *Municipal Act* for municipalities exercising powers under Section 28(6), (7) or (7.2) of the *Planning Act* or under Section 365.1 of the *Municipal Act*. These exceptions provide the legislative basis for the financial incentive programs described in Section 8.1 of this Plan.

Section 28 of the *Planning Act* permits municipalities that have provisions in their Official Plan relating to community improvement to designate by by-law a community improvement project area. Section 28 defines the following:

- A community improvement project area is defined as “a municipality or an area within a municipality, the community improvement of which in the opinion of the council is desirable because of age, dilapidation, overcrowding, faulty arrangement, unsuitability of buildings or for any other environmental, social or community economic development reason;”
- Community improvement is defined as “the planning or replanning, design or redesign, resubdivision, clearance, development or redevelopment, construction, reconstruction and rehabilitation, improvement or energy efficiency, or any of them,

of a community improvement project area, and the provision of such residential, commercial, industrial, public, recreational, institutional, religious, charitable or other uses, buildings, structures, works, improvements or facilities, or spaces therefore, as may be appropriate or necessary.”

Further, a municipality may take the following actions within a designated community improvement project area:

- Acquire, hold, clear, grade or otherwise prepare land for community improvement (Section 28(3)); Prepare a community improvement plan for the project area (Section 28(4));
- Construct, repair, rehabilitate or improve buildings on land acquired or held by it in conformity with the approved community improvement plan (Section 28(6));
- Sell, lease or otherwise dispose of any land and buildings acquired or held by it in conformity with the approved community improvement plan (Section 28(6)); and,
- Make grants or loans, in conformity with the approved community improvement plan, to the registered owners, assessed owners and tenants of lands and buildings, and to any person to whom such an owner or tenant has assigned the right to receive a grant or loan, to pay for the whole or part of the eligible costs of the community improvement plan (Section 28(7)).

Section 28(7.1) defines *eligible costs* as “costs related to environmental site assessment, environmental remediation, development, redevelopment, construction and reconstruction of lands and buildings for rehabilitation purposes or for the provision of energy efficient uses, buildings, structures, works, improvements or facilities.”

The maximum amount of financial assistance that a municipality may offer is limited by Section 28(7.3) of the *Planning Act*. The total of the grants, loans and tax assistance provided to particular lands and buildings under the *Planning Act* (Section 28) and the *Municipal Act* (Section 365.1) shall not exceed the eligible cost of the community improvement plan with respect to those lands and buildings. The financial incentive programs provided in Section 7 of this Plan therefore contain eligibility criteria and financial assistance maximum limits to ensure that the total assistance offered to a property does not exceed eligible costs.

Subsection 28(4) provides that a CIP may be adopted and come into force in accordance with (5) and (5.1) but does not require it to be submitted for approval to the Ministry of Municipal Affairs and Housing. Subsection 28(5) of the *Planning Act* provides for the municipal adoption process for a CIP (or an amendment to an existing CIP), which follows the same public consultation process a municipality would follow when adopting an

official plan amendment that is exempt from approval of an upper-tier or the Minister. A municipality is required to consult with the Ministry and prescribed bodies by providing a copy of the proposed CIP and supporting materials; make the proposed CIP available to the public for review; and hold a public meeting giving the public an opportunity to provide input prior to municipal adoption of the CIP. The CIP comes into effect provided there is no appeal lodged within the 20-day appeal period after the municipality gives notice of adoption.

3.2 Provincial Policy Statement

This Community Improvement Plan addresses the following policies within the PPS (2020):

- Accommodate residential growth through residential intensification and redevelopment (PPS 1.4.1 a) and b));
- Optimizing the use of existing infrastructure and public service facilities and long-term economic prosperity (PPS Policy 1.6.3 and 1.7.1 a) and c));
- Encouraging residential uses to respond to dynamic market-based needs and provide necessary housing supply and range of housing options for a diverse workforce (PPS 1.7.1 b)).

This Community Improvement Plan has been developed to address these policies and is consistent with the PPS (2020).

On August 20, 2024, the Ontario government released the Provincial Planning Statement, 2024 (PPS, 2024), introducing major changes to planning in the province. The 2024 PPS comes into effect on October 20, 2024. This Community Improvement Plan addresses the following new policies within the PPS, 2024:

- accommodating an appropriate range and mix of land uses, housing options to meet long-term needs (PPS 2.1.6 a and 2.2.1)); and,
- supporting general intensification and redevelopment to support the achievement of complete communities, including by planning for a range and mix of housing options (PPS 2024 2.3.1.3).

3.3 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)).

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.

This Community Improvement Plan aligns with the following additional housing policies:

- The city will encourage a wide range of housing unit types to accommodate the needs, preferences and economic resources of the city’s households, and promote and maintain an adequate supply of both ownership and rental housing stock (OP section 2.8 a) and b))
- The City will promote balanced residential intensification including individual lot intensification that is compatible with existing and permitted uses on neighbouring properties, as well as any other key natural and cultural heritage resources (OP section 2.8 e))

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 Financial Assistance CIP, all areas of the City which permit ARUs are designated by the By-law in **Appendix A** as the Community Improvement Project Area.

3.4 City of Cambridge Strategic Plan

The City of Cambridge has an updated Strategic Plan, Cambridge Connected, for 2024-2026. This CIP supports the objectives of the Strategic Plan in the following ways:

- 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.
- This CIP increases safe and supportive housing options by encouraging the creation of new additional units with a building permit, increases the rental housing supply, makes home ownership more affordable, and allows for multi-generational living.

- The CIP process requires transparency and collaboration with the public to guide the development of the CIP, including the criteria or qualifications to access the funds, and other terms, conditions and requirements.

4 Consultation

For the preparation of this plan, the following Committees, City Staff and Agencies were consulted, and their feedback was considered and incorporated:

- Accessibility Advisory Committee
- Economic Development Advisory Committee
- Municipal Heritage Advisory Committee
- Staff in Development Planning, Policy Planning, Economic Development, Engineering Services, Building Services, Legal Services, the City Clerk’s Office.
- 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

Notice of a Statutory Public Meeting was sent by mail and email to Agencies, City Staff and Committees listed above. The Meeting was held on September 10, 2024. Feedback from this meeting was also considered and incorporated into the CIP and Program.

5 Previous Plans, Programs and Initiatives

The City of Cambridge has no previous Community Improvement Plan specifically for Additional Residential Units. This is a new CIP created to deliver this specific Financial Assistance Program for Additional residential Units.

6 The Program

6.1 Program Fundamentals

The program offers one financial incentive focused on reducing the financial burden related to creating up to two legal Additional Residential Units, as is permitted in urban areas with the City. The Program is intended to award grants to property owners that have completed construction of an Additional Residential Unit with a building permit. The Property Owner will be required to demonstrate their costs incurred on one or more of the following:

- Upgrading of sanitary and water services;
- Professionally prepared permit drawings; and
- Hard construction costs (labour and materials)

The grant awarded will be based on the eligible costs incurred, up to a maximum of \$10,000 per property, regardless of whether one or two new ARUs are constructed.

6.2 Funding Sources and Availability

The CIP Programs will be funded entirely through designated funding from the Housing Accelerator Fund Program, administered by CMHC. Funding for this Program is drawn from up to 4 annual financial installments from CMHC through the Housing Accelerator Fund with a total designated amount of \$1,500,000 (provided the City receives all 4 financial installments). Funding will be awarded as it is available in a priority sequence and may be pending receipt of a future funding installment if all received funding has already been awarded. The program will be administered until the totality of HAF funding designated for this Program has been awarded.

6.3 Eligibility Criteria

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.

6.4 Definitions

The following definitions shall be used for the implementation of the Program(s) under this CIP:

- Water Service Pipe – means a pipe on the property that conveys potable water from a drinking water system or a private water supply to the inside of the building.
- Sanitary Building Sewer - means a pipe that is connected to a sanitary building drain 1 000 mm outside a wall of a building and that conducts sewage to a public sewer or private sewage disposal system.
- Qualified Designer – means a Registered Professional Engineer or Architect, or other person engaged in the business of providing design activities to the public with a BCIN and corresponding category of qualification.
- Hard Construction Costs – means the cost of building materials associated with the actual building of an additional residential unit. These can include building materials (ex. wood, steel, glue, siding, roofing), building site costs (ex. equipment rentals, grading and paving, etc.), interior materials (ex. Wallpaper, paint, flooring, trim). This does not include soft construction costs such as architectural, design or studies fees or permit or survey fees or landscaping costs.
- Labour Costs – means the costs associated with hiring labour to complete the work required to construct and make the ARU habitable ex. plumber, electrician, drywaller.
- Additional Residential Unit – means a self-contained residential dwelling unit, 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.

6.5 Administration

This Plan and the programs contained herein, will be administered by the City of Cambridge's Planning, Building and Finance Departments. Applications will be accepted immediately upon the anticipated launch of the Program in November 2024. Applications will be reviewed and approved by the Planning Department, with support from the Building Department to confirm eligibility. An Application Form will be completed and submitted by Applicants for this Program. This form may be replaced at a later date with the use of the City's Online Application Portal to receive applications directly into the City's Amanda database to improve efficiency of tracking, review, and awarding of funding.

A Notice of the Award of Funding will then be sent to the Owner/Applicant from the City's Chief Planner. The Finance Department will receive a copy of the Notice of the Award of Funding and will proceed to issue a cheque for the approved amount of the grant to the legal Owner of the Property.

The City will strive to award funding in priority sequence based on the date the application was received. Since funding for this Program is from the 4 annual financial installments from CMHC through the Housing Accelerator Fund, funding will be awarded as it is available, with the priority sequence maintained during any times where funding is pending a further installment. The program will be administered until all available funding has been awarded. The Program in this Plan is intended to be stackable with incentive / financing programs offered by other levels of government.

7 Monitoring

Monitoring the Plan's implementation is undertaken through the City's performance measurement reporting, and the annual report prepared by the City of Cambridge's Planning and Building Departments. The City is also required to report on the approval of the CIP and implementation of the program, including the number of permits issued annually for new residential units, pursuant to the Housing Accelerate Fund Contribution Agreement with CMHC.

8 Amendments

This Plan will be reviewed from time to time to ensure that it is current and adequately reflects existing City policies and priorities, as well as Provincial policies. Monitoring and applicant feedback regarding the Plan and its programs may also lead to amendments to the financial incentive program descriptions and terms.

8.1 Formal Amendments

A formal amendment to this Community Improvement Plan is required in the following instances:

- To introduce any new financial incentive programs to this Community Improvement Plan,
- To increase the maximum financial assistance that may be awarded to a property owner for an individual Additional Residential Unit,
- To make changes to the eligibility criteria for the Program, which are considered to be significant by the City's Chief Planner, or
- To change or add another funding source for the CIP.

Formal amendments will require approval by City Council, and shall be undertaken in accordance with Section 28 of the *Planning Act*. Public notice shall be given, and a statutory public meeting held, in accordance with the applicable requirements of the *Planning Act* regulations. Any proposed amendments will be circulated to the Ministry of Municipal Affairs and Housing prior for consultation purposes, although formal approval is not required.

In addition, the City may undertake other communication methods to provide information and seek input, such as public information open houses, workshops, public meetings, the City's website and direct or electronic mail-outs and surveys. Minor revisions and corrections do not represent formal amendments and may be completed without the formal amendment process.

8.2 Other Changes

Council may discontinue the program(s) described in this Plan at any time, which may result in the full repeal of the CIP.

Minor administrative amendments to this Plan such as format changes, typographical errors, grammatical errors, and changes to the administrative delivery of the program shall not require a formal amendment to the CIP.

8.3 Transition

Program applications will be processed under the terms of the program in effect at the time the application was submitted. When program terms are revised, applications submitted and approved under the former terms of the program will be processed under the former terms unless the City receives a formal cancellation of the application.

APPENDIX A

THE CORPORATION OF THE CITY OF CAMBRIDGE

By-law 24-XXX

Being a by-law of the Corporation of the City of Cambridge to implement the Additional Residential Unit Community Improvement Plan in the City of Cambridge

WHEREAS Sections 17 and 28 of The Planning Act, R.S.O. 1990, Chapter P.13, as amended, provide for the preparation of Community Improvement Plans;

AND WHEREAS Section 28(2) of the Planning Act empowers the council of a municipality where there is an Official Plan in effect that contains provisions relating to community improvement, to designate the whole or any part of the municipality covered by the official plan as a Community Improvement Project Area;

AND WHEREAS the City may prepare Community Improvement Plans in accordance with the policies in Section 10.15 of the City of Cambridge Official Plan;

AND WHEREAS the Council of the Corporation of the City of Cambridge deems it expedient and in the interest of the municipality to designate the entire municipality of the City of Cambridge as a Community Improvement Project Area;

NOW THEREFORE BE IT RESOLVED THAT the Corporation of the City of Cambridge enacts as follows:

1. **THAT** the Additional Residential Unit Community Improvement Plan be implemented in the designated Additional Residential Unit Community Improvement Project Area, as amended, and as depicted in Schedule 'A' to this By-law.
2. **THAT** the Additional Residential Unit Financial Incentive Program be implemented as part of the Additional Residential Unit Community Improvement Plan.
3. **AND THAT** this by-law shall come into full force and effect upon the final passing thereof.

Enacted and Passed this 8th day of October, 2024.

MAYOR

CLERK

Schedule 'A' to By-law 24-XXX

