

For Information

DATE: March 11, 2013

REPORT TITLE: **BILL 140 - IMPLEMENTING SECOND UNIT POLICIES**

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OBJECTIVE

The purpose of this report is to provide further information on the Regional and Area Municipal servicing implications associated with implementing the second unit housing provisions in Bill 140.

REPORT HIGHLIGHTS

- From a growth management and housing policy perspective, second units are generally considered to be beneficial as they use existing public infrastructure and facilities efficiently and provide supportive and affordable rental housing that would otherwise not be available.
- If measured over the entire housing stock, servicing costs for dwellings containing second units should be similar to a slightly larger than average household.
- Because accurate information on the number, location and household size characteristics of illegal second units is not available, it is not possible to quantify the total servicing cost implications for this type of housing.
- Although comprehensive information is not available, the implementation of Bill 140 is not expected to significantly generate new second unit creation based on research indicating low yield rates in response to policies.
- The Region will continue to work with area municipal staff on advocacy to obtain more support from the Province related to Bill 140 implementation including:
 - the need for research on second units servicing and implementation costs;
 - improved methods to monitor, estimate and forecast second units;
 - additional funding support for affordable housing; and
 - improved building code, enforcement and compliance tools.
- Regional staff will continue to collaborate with and support Area Municipal staff on implementation.

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DISCUSSION

1. Background

At the November 24, 2011 Regional Council meeting, Corporate Services, Human Services and Public Works staff submitted a joint report to provide information on the servicing implications of Bill 140 – *Strong Communities through Affordable Housing Act*. The Act, through amendments to the *Planning Act*, requires municipalities to amend their official plans and zoning by-laws to permit second units in single detached, semi-detached and rowhouse dwellings. The amendments, related to official plans and zoning by-laws, took effect on January 1, 2012.

In the November 2011 report, Regional staff provided information on servicing implications of second units. Information focused on potential impacts to Regional water, wastewater, and waste management services. Impacts were addressed from a capacity and servicing cost perspective.

Further to that report, Regional staff was requested to work with Area Municipal staff to compile a comprehensive report that addressed impacts to both Regional and Area Municipal services as a basis to coordinate and provide comments to the Province on the implications of Bill 140 to municipalities.

This report builds on the previous report by summarizing additional research on servicing implications completed by Regional and Area Municipal staff. The report also identifies potential supports that may be considered at the Regional level and issues that should be addressed by the Province.

a) Regional Conformity with Bill 140

The Region of Peel Official Plan (ROP) housing policies were recently amended through Regional Official Plan Amendment 23 (ROPA 23) in accordance with recommendations in the 2010 Region of Peel Housing Strategy. These amendments include direction encouraging area municipalities to adopt policies to permit second units as a means to provide affordable housing options for residents. In accordance with Bill 140, the Region will be required to update the Regional policies to require second units to be permitted in Area Municipal official plans and zoning by-laws.

The policy revisions are to be addressed during the next five-year review of the ROP. When updated, the Regional policies will support Area Municipal policies that are currently under review through separate conformity exercises.

b) Area Municipal Conformity Initiatives

Area Municipal conformity with Bill 140 is being addressed through the City of Brampton's Second Units Policy Review and through the City of Mississauga's Affordable Housing Strategy and Action Plan (Housing Choices). The Town of Caledon is not undertaking a conformity exercise related to second units as the Town currently permits second units as-of-right.

Regional Corporate Services and Human Services staff has been participating in the Area Municipal policy reviews, coordinating research and sharing information. The recommendations and findings provided by Area Municipal staff have been incorporated into this report to provide an assessment of servicing and implementation implications, and to coordinate advocacy efforts with the Province.

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2. Findings

Several factors affect the demand for public services associated with second units and whether there are servicing cost implications to municipalities.

From a growth management and housing policy perspective, second units are generally regarded as beneficial as they use existing public infrastructure and facilities efficiently and provide a supply of supportive and affordable rental housing that would otherwise not be available.

In terms of overall service demand, population growth and not the presence of second units per se is a key determinant affecting demand for services. In other words, housing supply and the corresponding rise in demand for services are both a response to growth. The supply of second units is a response to growth related demand for affordable housing, housing that provides supportive living arrangements, and housing that is close to amenities by virtue of their location in planned neighbourhoods. If legal second units were not available as a housing option, it is expected the population that would otherwise choose to live in a legal unit would continue to reside in the Region in other forms of accommodation or in illegal units, and therefore continue to generate a similar demand for services. Bill 140, and the requirement to permit second units, does not revise or increase growth that is expected to occur in Peel. Growth forecasts for the Region are being updated through Amendment 2 to the Growth Plan.

- **Servicing Cost Considerations**

Overall service demand is only one aspect and servicing cost implications can also arise if considering costs in relation to revenues.

There has been little empirical research on servicing cost implications for this type of housing, which is partly attributable to the fact that the majority of second units are not registered and therefore reliable data on the number of units, the household size characteristics of second unit households, and their specific servicing demands is not available.

Despite not having accurate data, it is reasonable to assume that second unit dwellings over time will generate a slightly higher than average occupancy on a Region-wide basis if measured over the entire housing stock. A higher than average occupancy would therefore result in a slightly higher than average servicing cost than households without second units. If considered at a local scale, neighbourhoods with declining populations and lower dwelling unit occupancies would have lower servicing demands and more capacity than neighbourhoods with growing populations and higher occupancies.

The servicing cost implications to municipalities and whether second unit households “pay for services used” will then depend on the type and level of service provided, how the service is funded and whether there is cost recovery through delivery of the service (e.g. property taxes, development charges, utility rates and user fees). For some services, operating costs are fully recovered as second unit consumption is metered through the principal dwelling (e.g. water and wastewater). For services not fully cost recovered through rates or fees, additional revenue may be generated through higher taxes, although assessed market value, based on information provided by the Municipal Property Assessment Corporation (MPAC), will not significantly increase the amount of property tax collected from second unit dwellings. It is important to note that the assessment value of residential property is based on many factors and reliance on only one factor (i.e. the value of a finished basement) may give an incomplete picture of property tax revenue.

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A more detailed fiscal analysis of servicing implications across the Region would require accurate information on the number of second units, the size of households occupying the units, and information on their specific service demands. It is not possible to determine servicing costs across the entire housing stock as information on the number of second units and their specific servicing demands is not available.

Additional information on Regional and Area Municipal servicing implications, including results from interviews with Peel Police, Paramedic, TransHelp and School Board staff are provided in Appendices I and II (as attached).

- **Estimating the number of second units**

Although it is possible to estimate the number of second units in Peel using housing market data, any estimation method will have limitations as source data does not fully account for illegal units that are not captured in the housing data. Estimates using information collected for the 2010 Peel Housing Strategy indicate approximately four to six per cent of single detached, semi-detached and row house dwelling units in Peel contain a second unit. Applying the four to six per cent rate to the 2011 regional housing stock produces an estimate of 11,434 to 17,150 units.

- **Published research on servicing demands is also limited**

One study funded by Canada Mortgage and Housing (CMHC) indicated that second unit dwellings do not consume double the services of single unit dwellings. When examined for water, sewer, and waste collection, the study found that second units consumed on average 35 to 63 per cent more services than dwellings without second units.

- **Second unit policies generally yield few new “legalized” units**

Additional information on the number of second units that have been registered in Greater Toronto Area (GTA) municipalities already permitting second units was obtained to provide an indication of the extent to which Bill 140 policies might affect the number of new second units being “legalized” in Peel. The research indicates a very small number of second units have been created in response to policies. Average unit creation varied but did not exceed 70 units per year. Similar research in the US indicates that in jurisdictions permitting second units, second unit policies generate on average one new (legal authorized) unit per 1,000 single detached dwellings per year and that higher yield rates of one to three units/1,000 are possible through promotion and incentives. Findings from the research generally indicate low yield rates in response to policies. Collected data for the GTA are provided in Appendix III (as attached).

- **Additional research would improve understanding of second unit policies**

Additional research and improved methods to estimate numbers and servicing demands of second units consistently across jurisdictions would be beneficial. The responsibility to conduct broad scale research on second units should be assumed by CMHC and/or the Province given their mandates.

The implementation of second units policies is a significant obligation and responsibility delegated to the local level by the Province. If implementation is to be successful, there is a corresponding role for senior governments to provide supports recognizing there will be cost implications to local municipalities. Potential Regional and Provincial supports are outlined below.

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From a Regional housing program perspective, second units increase the supply of affordable rental housing within established residential neighbourhoods and can assist in meeting affordable housing needs of households facing financial challenges such as youth, older adults, new immigrants and lone-parent families. Second units also help increase housing choices for renters and assist homebuyers to make home ownership viable.

In 2008, an estimated 73,400 households, or 20 per cent of all households in Peel were beneath the affordable rental housing threshold, and could not afford the average rental unit in the Region. Housing options for renter households in Peel are further challenged by the tight rental housing market, with low rental housing starts, low vacancy rates, and lack of affordable ownership housing options. Peel also has one of the longest waiting periods for subsidized housing in the province, particularly for families requiring three to four bedroom units. As of December 31, 2012, the Centralized Wait List (CWL) for subsidized housing in Peel stood at 12,850 households.

On January 1, 2012, the province proclaimed the *Housing Services Act, 2011 (HSA)*. The HSA designates municipalities, including the Region of Peel, as Service Managers.

Under this role of service manager, the Region offers programs to increase the supply of affordable housing options including an interim “Peel Renovates” program that provides home renovation assistance to repair deficiencies and/or for accessibility upgrades. The program is modeled after the former CMHC Residential Renovation Assistance Program (RRAP). The target groups for this program are low-income, disabled, and seniors populations in Peel. Planning is underway for a long-term “Peel Renovates” program targeted for implementation in early 2014. A review of current program practices and research of local needs is currently being conducted, which will help inform program changes and lead to Regional Program guidelines. Funding assistance to Peel homeowners for the purpose of making second units safe under this program can be considered. In addition, the Region administers rent subsidies for households in need. These subsidies could be used to support tenants living in legal second units which would complement other Regional housing programs.

b) Provincial Policy Gaps

Through our analysis with the Area Municipalities, the following policy gaps have been identified in provincial housing policy. Addressing these gaps would be complementary to Regional and Area Municipal implementation and will serve as a foundation for continued dialogue on second units issues with Provincial staff.

- **Research on second units servicing and implementation costs** – research on second units servicing implications should be updated by the Province and/or CMHC to be current and reflective of servicing needs and demands in the GTA. The assessment of housing program needs at the local level should be included in this work, including the role of second units as a form of affordable housing. It is also recommended that the Province review available housing data sources and methodologies to estimate the number of unauthorized second units with the purpose of providing better guidance for estimating servicing demands and for growth forecasting purposes.
- **Financial support for affordable housing** – if Regional programs are required to direct affordable housing funding to second unit programs, enhanced and

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sustained funding supports by senior levels of government is needed to ensure the balance of affordable housing program needs can be met.

- **Building Code** – the Ontario Building Code requirements for second units in new dwellings can be onerous and a deterrent for new construction. Standards should be reviewed to determine if alternative requirements might be appropriate.
- **Enforcement and Compliance Tools** – the legislation and tools available to municipalities to inspect properties when investigating complaints should be enhanced to give municipalities tools to improve compliance.

To date, discussions have occurred between Regional and Area Municipal staff and the Province on many of these policy improvements. Staff will continue to work collaboratively in an effort to impact the next stage of Bill 140 conformity exercises and to bring a unified position to the Province to improve provincial supports for local implementation.

CONCLUSION

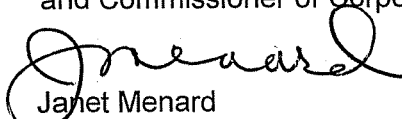
Overall, second unit policies continue to be generally recognized as an important policy tool to address affordable housing needs. Second unit policies will assist the Region as Service Manager under the HSA in demonstrating how safe, affordable housing can be provided in Peel. With the benefits, there are also challenges, including those related to municipal servicing and the administration and regulatory costs of implementing second unit policies. Servicing implications have been noted although servicing capacity related to essential infrastructure services (water, sewer, roads and waste) is not a barrier to implementing second unit policies in Peel. As provincial policy, the Province has responsibilities to provide ongoing support to regional and local municipalities to fund and monitor the effectiveness and implementation of Bill 140 provisions. Regional staff will continue to collaborate with and support Area Municipal staff with implementation. Information in this report will be utilized to advocate for specific supports from the Province.



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Summary of Regional, Area Municipal and School Board Servicing Cost Implications Associated with Second Unit Dwellings

The following summarizes additional research completed by Regional and Area Municipal staff on the servicing cost implications associated with second unit dwelling households in Peel.

a) Regional Servicing

Detailed information on servicing implications for Regional water, wastewater and waste management services, including funding, revenue sources and servicing cost implications were provided in the November 2011 staff report and are not repeated in this report. This information indicated design requirements for sizing Regional infrastructure (water, sewer, waste facilities) are generally conservative and sufficient to accommodate second units.

Information on water, sewer and waste management servicing has been supplemented by completing additional interviews with Regional TransHelp, Paramedic and Police Services staff. Published research on second units servicing demands for these types of programs was not available to assist Regional staff to understand implications; however, based on staff interviews, other factors, including overall population growth, and not dwelling type, are key drivers of demand.

For Regional police services, demographic characteristics, in particular the crime-age cohort, is a key factor affecting service demand. Peel paramedic services respond to demand related to growth in population and call demand from the community. To improve call response, second units should be visible to responders and be designed to have good access (e.g. units should have a visible address and an entrance from outside meeting minimum code standards). Key factors that affect TransHelp services include population aging, serviced catchment area for the program, and legislative requirements affecting service delivery (e.g. *Accessibility for Ontarians with Disabilities Act*).

A summary of regional servicing, servicing costs, and revenue sources are provided in Appendix II.

b) Area Municipal Services

Consistent with the literature reviewed by Regional staff, information provided by Area Municipal staff indicates that the service needs and impacts on capacity of local services are not well documented.

A key determinant of local service demand is overall population growth, and similar to the assessment of impacts to Regional services, the implementation of Bill 140 does not revise the growth allocated to the Area Municipalities by the Region.

Interviews with local service providers did not identify specific or overall servicing capacity issues. However, municipal staff indicates that localized pressures could exist in individual neighbourhoods but that pressures are difficult to confirm without

information on the location and number of unauthorized units. Information on servicing and program needs may be better understood if second unit information was available through licensing and registration.

On-street parking associated with second unit dwellings is often identified as a concern by residents. Increased car ownership associated with second unit households may result in increased incidences of on-street parking of vehicles, complaints to municipal parking staff and activity related to enforcement and management of parking by-laws. The ability to regulate on-street parking and require the provision of on-site parking through zoning are solutions being addressed in the Area Municipal conformity exercises.

Many factors affect the uptake of policies by residents. These include the cost of registering units, renovation costs associated with bringing units up to Building Code and Fire Code requirements, and the structure and complexity of the approvals and registration/licensing process. It is not known if recent experience in the GTA will be an indication of future uptake by residents in Peel Region. If the intent is to improve housing choice and affordability and address fire and building safety for residents, then implementation frameworks should balance licensing and registration requirements with public education campaigns that encourage and promote compliance and legalization.

With respect to permitting, licensing, registration and enforcement costs, these will vary depending on design of the local program. In Mississauga and Brampton's case, the implementation strategies are proposing licencing or registration fees to offset some costs. For planning purposes, local programs may wish to include assumptions that staffing and implementation costs may be higher during initial stages.

c) School Boards

The Dufferin-Peel Catholic District School Board and the Peel District School Board prepare long term accommodation plans to provide recommendations on the timing of new school construction, the construction of additions, boundary adjustments and to assess existing school capacities. Enrolment projections are one of the tools used to create the long term plans. Enrolment projections are based on numerous factors, including but not limited to retention rates, historic trends, demographics and student yields from new development.

Information from School Board staff indicates that students from existing second units are already being accommodated in the school system. Board staff also indicates that each community and school is unique, and without knowing the actual number of second units in specific school catchment areas, it is difficult to determine the actual quantitative impact that existing or future units have on schools.

Servicing/Cost Implications of Second Units on Regional Services

Regional Service	Funding/Revenue Source	Are costs applied to second units?	Servicing/Cost Implications
Water			
Capital	<ul style="list-style-type: none"> - new infrastructure funded through development charges (DCs) and property taxes 	Yes, if second unit is a new construction in a new dwelling No, if second unit is a conversion in an existing dwelling.	<ul style="list-style-type: none"> - unknown, growth and servicing forecasts do not differentiate for second units - design requirements for sizing infrastructure are generally conservative and sufficient to accommodate second units
Operating	<ul style="list-style-type: none"> - costs related to operations, maintenance and repair funded through water rate - user pay revenues based on metered water consumption - all houses in Peel are metered - average household use is approximately 340 cubic metres of water per year - 2011 rates are \$8.29 per 10 cubic metres 	Yes, through metered water consumption	<ul style="list-style-type: none"> - none, residential costs are recovered - additional second unit does not increase demand for landscape irrigation - additional occupancy will increase water consumption for domestic purposes
Wastewater			
Capital	<ul style="list-style-type: none"> - new infrastructure funded through development charges (DCs) and property taxes 	Yes, if second unit is a new construction in a new dwelling No, if second unit is a conversion in an existing dwelling	<ul style="list-style-type: none"> - unknown, growth and servicing forecasts do not differentiate for second units - design requirements for sizing infrastructure are generally conservative and sufficient to accommodate second units
Operating	<ul style="list-style-type: none"> - costs related to operations, maintenance and repair funded through wastewater rate - user pay revenues based on metered water consumption - all houses in Peel are metered - wastewater rate is applied to 85% of total metered water usage - 2011 rates are \$6.95 per 10 cubic meters 	Yes, through metered water consumption	<ul style="list-style-type: none"> - none, residential costs are recovered - additional second unit occupancy will increase wastewater volumes
Waste Management			
Capital	<ul style="list-style-type: none"> - new infrastructure funded through property taxes 	Yes, partial recovery through property taxes	<ul style="list-style-type: none"> - unknown, but expected to represent a small portion of total servicing demand
Operating	<ul style="list-style-type: none"> - curbside waste collection and recycling services funded through property taxes, user fees and recycling revenue 	Yes, partial recovery through property taxes and user fees	<ul style="list-style-type: none"> - unknown, but expected to represent a small portion of total servicing demand - additional second unit occupancy will increase waste/recycling volumes (costs and revenues) - second units do not generate additional yard waste

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Police			
Capital	- capital facilities requirements funded through development charges and property taxes	Yes, if second unit is a new construction in a new dwelling No, if second unit is a conversion in an existing dwelling Yes, partial recovery through property taxes	- unknown, but expected to represent a small portion of total servicing demand
Operating	- operating costs funded through property taxes	Yes, partial recovery through property taxes	- unknown, but expected to represent a small portion of total servicing demand - servicing is based on crime-age cohort to determine level of service
Paramedic Services			
Capital	- capital facilities requirements funded through development charges and property taxes	Yes, if second unit is a new construction in a new dwelling No, if second unit is a conversion in an existing dwelling Yes, partial recovery through property taxes	- unknown, but expected to represent a small portion of total servicing demand
Operating	- operating costs funded through property taxes - 50% subsidized by the Province - Do not collect fees from patients	Yes, partial recovery through property taxes	- unknown, but expected to represent a small portion of total servicing demand - types of dwellings do not impact servicing as long as they are properly addressed to indicate there is a second unit at the primary residence
TransHelp			
Capital	- capital facilities requirements funded through development charges and property taxes - Federal Gas Tax funding for major capital projects including purchase of buses	Yes, if second unit is a new construction in a new dwelling No, if second unit is a conversion in an existing dwelling Yes, partial recovery through property taxes	- unknown, but expected to represent a small portion of total servicing demand
Operating	- operating costs funded through property taxes - Approximately 7% cost recovery through user fees (\$3.25 per one way trip). - Provincial Gas Tax subsidy representing less than 4% of operating costs	Yes, partial recovery through property taxes and user fees	- Unknown, but costs not covered by senior government transfers and user fees are expected to represent a small portion of total servicing demand. Aging population and AODA legislation affect servicing and cost.

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Appendix II Survey of Second Units Annual Uptake by Municipality*

	Municipality	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	TOTAL	Notes
	Ottawa																	175	Since 2005
	Toronto					34	71	67	48	37	39	48	49	30	24	39	24	510	
Durham	Ajax					27	56	80	44	38	26	38	30	27	25	27	25	443	
	Whitby **																	360	Since 1999
	Oshawa						141	114	83	116	76	50	24	27	30	29	32	722	12 in process, 2011
	Burlington													0	0	2	1	3	
Halton	Halton Hills	8	29	11	13	16	2	6	4	4	3	4	2	1	3	1	1	108	
	Milton								1	1	1	1	2	0	1	1	2	10	
	Aurora	113	33	7	12	13	4	2	4	0	1	1	1	1	1	8	9	211	1 in 1993
York	East Gwillimbury			37	7	4	7	1	1	2	2	3	3	1	2	1	1	72	
	Newmarket								8	53	46	33	84	91	60	74	58	507	
	Whitchurch-Stouffville																3	3	

* Municipalities shown here represent only those who responded that had second units data available for their municipality. 27 Municipalities were contacted with 18 responding. Of those 18 respondents, 12 municipalities had data available.

** Between 1999 and 2010, zoning by-law amendments were required to permit accessory apartments in accordance with official plan policy that was supportive. As of 2010, accessory apartments have been permitted 'as-of-right'.

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