



**City of Kingston
Report to Council
Report Number 24-179**

To: Mayor and Members of Council

From: Jennifer Campbell, Commissioner, Community Services;
Paige Agnew, Commissioner, Growth & Development
Services

Resource Staff: Jayne Hartley, Director, Housing & Social Services
Lisa Capener-Hunt, Director, Building Services & CBO

Date of Meeting: August 13, 2024

Subject: Additional Residential Unit Housing Initiative

Council Strategic Plan Alignment

Theme: 1. Support Housing Affordability

Goal: 1.1 Promote increased supply and affordability of housing.

Executive Summary:

The City of Kingston is participating in the Canada Mortgage and Housing Corporation's (CMHC) Housing Accelerator Fund (HAF), a federal program designed to encourage municipalities across Canada to implement innovative land use planning and development approval processes to accelerate housing production.

As part of the City's HAF application and funding agreement, Kingston has committed to providing financial incentives for property owners to create Additional Residential Units (ARUs), also known as secondary suites, basement apartments or in-law suites. The ARU initiative also includes the development and promotion of plans for detached ARUs, which are self-contained dwelling units located in a standalone building typically occurring in the rear yard of an existing residential property.

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The proposed ARU incentive program features five streams to support various project types:

1. Detached ARUs: Incentive for self-contained units in standalone buildings.
2. Interior ARUs: Incentive for units within existing residential structures.
3. Accessible ARUs: Grants for projects meeting accessibility standards.
4. Rough-In Detached ARUs: Grants for initial service installation for future units.
5. Servicing Constraint ARUs: Grants for service upgrades to existing services to support an additional unit.

The ARU incentive program will be funded with \$1,250,000 from the HAF. The City seeks Council's approval to publish the detached ARU vendor roster and release the incentive program details on the program webpage, enabling staff to begin accepting applications. It is anticipated the incentive program information and application will be available on the City's webpage in mid-August.

The implementation of the ARU initiative aims to address the growing demand for alternative housing options and to accelerate the production of new housing supply in the community. The implementation of the ARU initiative is also in compliance with the City's HAF application and agreement with CMHC.

Recommendation:

That Council approves a capital project with funding of \$1,250,000 from the Housing Accelerator Fund, received from the Canada Mortgage and Housing Corporation, to fund the Additional Residential Unit Incentive Program; and

The Council approves the amendments to the Capital Investment in Affordable Housing policy, as outlined in Exhibit A to Report Number 24-179, to include updated provisions for the Additional Residential Unit incentive program; and

That Council directs staff to release the Additional Residential Unit incentive program outlined in Report Number 24-179; and

That Council authorizes the Manager, Housing & Homelessness, or their delegate, to review, approve, and sign all documents and agreements related to the Additional Residential Unit incentive program as required and approved by Legal Services; and

That Council directs staff to publish the detached additional residential unit vendor roster on the City's webpage as outlined in Report Number 24-179.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Jennifer Campbell,
Commissioner, Community
Services**

ORIGINAL SIGNED BY COMMISSIONER

**Paige Agnew, Commissioner,
Growth & Development Services**

ORIGINAL SIGNED BY CHIEF

P.P. ADMINISTRATIVE OFFICER

**Lanie Hurdle, Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Neil Carbone, Commissioner, Corporate Services	Not required
David Fell, President & CEO, Utilities Kingston	Not required
Peter Huigenbos, Commissioner, Major Projects & Strategic Initiatives	Not required
Brad Joyce, Commissioner, Infrastructure, Transportation & Emergency Services	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	p.p. 

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Options/Discussion:**Background**

Additional Residential Units (ARUs), previously known as second residential units or secondary suites, offer multiple advantages for both property owners and the community. ARUs can be created through various means, including converting basements or other spaces within a primary dwelling, adding to existing residential structures, or constructing detached units in the rear or side yards. These units enable property owners to generate additional rental income, which can help offset mortgage costs, and create affordable flexible living arrangements for family members or tenants.

From a community perspective, ARUs help alleviate housing shortages, promote neighbourhood diversity, and support sustainable urban development by maximizing the use of existing infrastructure. Additionally, ARUs address the growing demand for alternative housing options. As a form of gentle intensification, ARUs increase housing density within a ground-oriented building format.

In recent years, ARUs have gained popularity in Kingston and across Ontario. Legislative changes at the provincial level and local Official Plan and zoning by-law amendments have facilitated the inclusion of ARUs in detached, semi-detached and townhouse dwellings. Planning policy and permissions surrounding ARUs have been evolving over the last 11 years, with two units (one main unit plus one ARU) permitted in the main building in some areas of the City as a pilot project since 2013, which was broadened to two units (one main unit plus one detached ARU) across the City in 2019, then expanded to three units (one main unit plus two ARUs) on residential properties in 2022. Council recently passed amendments to the zoning by-law permitting four residential units on residential properties with a single-detached, semi-detached, or townhouse dwelling, provided zoning provisions are met.

ARUs are not subject to development charges or other development-related fees which supports the development of this housing format. Building permits for 119 ARUs were issued in 2023, contributing to a total of 470 ARU permits over the past five years.

In 2023, CMHC introduced the HAF, a \$4 billion federal initiative designed to incentivize municipalities to expedite housing production through innovative land use planning and development approval processes. As part of its HAF application, the City of Kingston proposed a financial incentive program for property owners to develop ARUs and streamline the development process by collaborating with builders to create a vendor roster with pre-reviewed plans for detached ARUs.

Analysis

In June, the City issued a Request for Supplier Qualifications (RFSQ), inviting qualified builders to submit plans, specifications and estimated fixed contract pricing for detached ARU projects. The submissions, which featured various construction technologies and ARU configurations, were reviewed by Building staff for compliance with the Ontario Building Code. The pre-

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reviewed plans will be available on the City's ARU webpage, allowing property owners to compare models, technologies and pricing conveniently. This initiative aims to simplify the selection process and connect property owners with vendors, accelerating the approval and construction timeline.

This report recommends that Council authorize the publication of the detached ARU vendor roster on the City's program webpage. The webpage will note that the detached ARU plans have undergone a preliminary review for Ontario Building Code compliance, with a formal review to occur during the Building Permit process. Detached ARU projects must also comply with zoning by-law provisions, including property line setbacks, building height restrictions, parking, and rear and side yard fencing requirements.

In 2013, Council amended the affordable housing capital investment program policy to include secondary suites, offering financial incentives such as a forgivable loan of up to \$15,000 and up to \$7,000 in municipal fee rebates for required planning applications. Despite these incentives, uptake has been limited due to restrictive eligibility criteria and terms. A review of similar programs in other Ontario municipalities revealed that common challenges include requirements to rent units at below-market rates and for the property owner to occupy the primary unit, limiting eligibility for investor properties. Additionally, developing an ARU is often more complex than anticipated by homeowners.

In response to these challenges, and to simplify the development of an ARU, staff have developed a revised ARU financial incentive program supported by a detached ARU vendor roster. This report recommends allocating \$1,250,000 from the HAF to fund the ARU incentive program, aiming to support the development of 30 to 35 ARUs. Further future budget allocations may be considered based on the program's success.

The recommended ARU incentive program includes five program streams to provide flexibility in incentivizing different types of projects:

1. Detached ARU Incentive
50% of eligible project costs, up to \$40,000, for detached ARU projects.
2. Interior ARU Incentive
50% of eligible project costs, up to \$30,000, for ARU projects within the primary residential building.
3. Accessible ARU Grant
\$5,000 for ARU projects meeting Ontario Building Code accessibility requirements.
4. Rough-In Detached ARU Grant
\$5,000 for rough-in services (i.e. water, sewer and electrical services extended to the rear yard location) to support future ARU development.
5. Servicing Constraint ARU Grant
50% of eligible costs, up to \$10,000, for servicing upgrades in areas with existing half-inch water service to support the creation of an ARU.

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In the program terminology, an Incentive refers to a forgivable loan that is fully forgiven if the terms and conditions of the agreement are met during the five-year term. On the other hand, a Grant refers to a contribution to a project that does not have any ongoing terms, conditions or repayment requirements.

The table below provides an overview of the ARU incentive program’s key terms and conditions. Note that the Accessible ARU Grant, the Rough-In Detached ARU Grant, and the Servicing Constraint ARU Grant can be combined with the Detached and Interior ARU Incentive.

Program Stream	Funding Amount	Eligibility	Terms and Conditions
Detached ARU Incentive	50% of eligible project costs, up to \$40,000	Owner-occupied or investor properties	Maximum rental rate: 90% of average market rent, five-year term, tenant income limit \$48,000 for a one-bedroom unit, secured by a second mortgage, loan forgiveness after five years, one ARU per property.
Interior ARU Incentive	50% of eligible project costs, up to \$30,000	Owner-occupied or investor properties	Same as the Detached ARU Incentive.
Accessible ARU Grant	\$5,000	Owner-occupied or investor properties	Must meet accessibility requirements of the Ontario Building Code. No ongoing requirements.
Rough-In Detached ARU Grant	\$5,000	Owner-occupied or investor properties	Rough-in servicing for detached ARU must include water, sewer, and electrical services.
Servicing Constraint ARU Grant	50% of eligible costs, up to \$10,000	Owner-occupied or investor properties	Properties with existing half-inch water service to offset costs associated with upgrades to support additional unit.

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Staff have prepared a program webpage featuring the detached ARU vendor roster and program details. Upon Council approval, the incentive program and vendor roster webpage will be launched, and applications will be accepted.

Implementing the ARU initiative will ensure compliance with the City's HAF application and agreement with CMHC.

Public Engagement

As part of the ARU incentive program's development, staff consulted with representatives from the local building industry and real estate investors with supportive feedback for the program. It was noted that incentives encouraging ARUs enable individual property owners to create new housing units supporting housing availability and the unique needs of certain households. Specific input on the servicing of ARUs resulted in the incorporation of additional program streams for rough-in servicing and upgraded water servicing where necessary to meet the capacity requirements of an ARU. Feedback was also received on the zoning provisions which staff addressed by way of administrative amendments approved by Council in July (PC-24-041) (e.g. allowing overlap between required walkway and driveway, front yard parking expansion, and gross floor area requirements for principal units etc.).

Climate Risk Considerations

The development of additional residential units supports sustainable neighbourhood intensification which aligns with climate change objectives.

Indigenization, Inclusion, Diversity, Equity & Accessibility (IIDEA) Considerations

The development of additional residential units provides new housing supply that can accommodate the needs of certain households including low to moderate-income households, live-in caregivers, seniors, aging-in-place, multi-generation households, amongst others.

Existing Policy/By-Law:

Capital Investment in Affordable Housing Policy

Notice Provisions:

None

Financial Considerations:

Funding for the recommended Additional Residential Unit incentive program is available from the federally funded Housing Accelerator Program.

Contacts:

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Other City of Kingston Staff Consulted:

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James Bar, Manager, Development Approvals

Laura Flaherty, Project Manager, Planning Services

Troy Beharry, Manager, Partnership & Grant Development

Tim Park, Director, Planning Services

Brandon Forrest, Director, Business, Real Estate & Environment

Sukriti Agarwal, Manager, Policy Planning

Exhibits Attached:

Exhibit A Amended Capital Investment in Affordable Housing Policy



City of Kingston
Policies and Procedures
Housing Department, Community Services

**Capital Investment in Affordable
Housing Program**

Document No.	Housing-003
Effective Date	03-6-2012
Revision Date	August 13, 2024
Revision No.	3.0
Page No.	1 of 3
Approval:	City of Kingston Council

1.0 PURPOSE

- 1.1 The purpose of this policy is to establish guidelines for a municipally funded Capital Investment in Affordable Housing Program.
- 1.2 The purpose of the Capital Investment in Affordable Housing Program is to facilitate the establishment of affordable housing units in the private and not for profit sectors through municipal grants.
- 1.3 This policy will seek to implement the City of Kingston’s Strategic Plan priority of facilitating affordable housing as well as the recommendations of the Municipal Housing Strategy adopted by Council July 2011.

2.0 REVISION HISTORY

Date	Rev. No.	Change	Ref. Section
	1.0	New document	Not applicable
Aug. 08, 2013	2.0	Amendments to expand program funding to include secondary suites	4.3, 4.5, 4.8.3, 6.0
Aug. 13, 2024	3.0	Amendments to secondary suite provisions to accommodate the updated additional residential unit incentive program	3.0, 6.2, 6.3, 6.4, 6.5, 6.8

3.0 DEFINITIONS

Affordable Housing means a housing unit(s) where the monthly rent is less than or equal to 80% of the CMHC average monthly rent

Affordable Housing Land Acquisition and Disposition Fund means a fund set up by the City of Kingston to fund the purchase and disposition of lands for the purpose of the construction of affordable housing units.

Agreement means the agreement signed between the City of Kingston and the proponent which sets out the terms of the funding and may be registered on title.

Construction Costs means those costs normally related to construction such as materials, equipment and labour.

Development Related Fees means those costs required by the City of Kingston such as, but not limited to, development charges, Planning application fees, impost fees, building permits, cash in lieu of parking, and cash in lieu of parkland.

Housing & Social Services Department Funding Programs means programs administered by the City of Kingston Housing Department such as, but not limited to, the Investment in Affordable Housing Program, Affordable Housing Land Acquisition and Disposition Program, Delivering Opportunities for Ontario Renters Program (DOOR), Affordable Housing Construction Reserve, and Social Housing Capital Reserve Fund.

Locational Analysis means a document prepared with the purpose of identifying areas of the City which are underserved with regard to existing affordable housing while still containing appropriate amenities to support affordable housing.

Municipal Housing Strategy means the Municipal Housing Strategy adopted by Council July 2011

Official Plan means the Official Plan for the City of Kingston as amended from time to time.

Rent Supplement means a program administered by the City of Kingston which provides a rent subsidy directly to landlords equal to the difference between the landlord's allowable market rent and the geared-to-income rent paid by the tenant.

Strategic Plan means City of Kingston's Strategic Plan 2011-2014

Additional Residential Unit means an independent dwelling unit which is accessory to a principal dwelling unit and is located on the same lot as the principal dwelling unit.

4.0 PROGRAM GUIDELINES

- 4.1** Funds through this program shall be made available in the form of a forgivable loan. The agreement to be entered into shall include the terms of the loan. In general, it is expected that the forgiveness of the loan will be spread evenly over the agreed upon period during which housing units are required to remain affordable.
- 4.2** In the event of a default, the loan shall be paid back to the City of Kingston forthwith upon demand. The basis for default and the means by which the City of Kingston can recover the funds shall be set out in the funding agreement.
- 4.3** The proponent shall be required to enter into an agreement to be registered on title or, where funding is considered to be a modest amount, such other form of security as determined to be appropriate by the Commissioner in consultation with the Legal Services Department, which guarantees the affordability of the housing units and describes the terms of the loan.
- 4.4** All loans issued under this program shall be approved by City of Kingston Council.
- 4.5** Funds from this program may be used to fund eligible projects at any time during the calendar year provided that sufficient funds are available within the program budget. Projects will be considered and reviewed for funding on an on-going basis.
- 4.6** While projects will be reviewed and considered on an ongoing basis without the issuance of a Request for Proposal, City staff shall ensure that this program is advertised in multiple formats including a Request for Information to be issued at a minimum once per year during the period of the program.
- 4.7** Projects which were acquired through the Affordable Housing Land Acquisition and Disposition Program or have received funding through other Housing & Social Services

Department funding programs are still eligible to receive funding through the Affordable Housing Capital Investment Program provided that the project meets the program guidelines and selection criteria.

4.8 Funds under this program must be used for the development of affordable housing units within the City of Kingston. This shall include the following purposes:

- 4.8.1 Acquisition of land for the purposes of affordable housing which may include the value of the land and any other costs typically associated with the purchase of land (i.e. legal fees).
- 4.8.2 Development related fees
- 4.8.3 Construction costs for both the construction of new projects with affordable housing units and the conversion of existing properties into affordable housing units including the development of Additional Residential Units in accordance with Section 6.0
- 4.8.4 Transfer to the Affordable Housing Land Acquisition and Disposition Fund if there is an opportunity to purchase lands suitable for the development of affordable housing where there are insufficient funds available in the Affordable Housing Land Acquisition and Disposition Fund to purchase the lands.
- 4.8.5 Other costs associated with the development of the affordable housing units.

5.0 PROJECT SELECTION CRITERIA

5.1 The selection of projects to be funded under this program shall be undertaken with the intent of complying with the objectives of a number of documents and approaches which should be reviewed together to determine if a project is suitable for funding. The relevant documents and approaches to be considered are as follows:

- 5.1.1 Conformity with the recommendations of the Locational Analysis completed as part of the recommendations from the Municipal Housing Strategy;
- 5.1.2 Conformity with the goals and objectives of the City's Official Plan including residential intensification and remediation of brownfields;
- 5.1.3 Maximization of the value of the program funds available;
- 5.1.4 The number of total affordable units which would be constructed. Projects with a greater number of affordable units will be given priority;
- 5.1.5 Affordable housing units shall be guaranteed to be affordable for a minimum of fifteen years. Projects guaranteeing a longer period of affordability will be given priority;
- 5.1.6 Projects guaranteeing a greater level of affordability beyond the definition in Section 3 will be given priority;
- 5.1.7 Projects which include 1- or 2-bedroom rental units available to all ages will be given priority;
- 5.1.8 A general limit of \$50,000 per unit. A greater amount may be considered under exceptional circumstances where a longer period of affordability is guaranteed or where a proponent is able to demonstrate that multiple priorities of the City's Municipal Housing Strategy or Strategic Plan are being achieved;

- 5.1.9 Projects to be funded shall be willing to enter into Rent Supplement agreements for each of the affordable units to accommodate individuals from the Service Manager's Social Housing Waiting List;
- 5.1.10 The project proponent or developer shall be required to demonstrate financial ability and experience in developing residential projects;
- 5.1.11 Projects able to demonstrate an ability to be developed within a shorter time period shall be given priority. It is expected that projects receiving funding under this program will be able to begin construction within one year of receiving funding approval. The agreement shall include a clause whereby the funds are returned to the City of Kingston if construction is not initiated by the agreed upon date.

6.0 ADDITIONAL RESIDENTIAL UNITS

- 6.1 Subsections 4.4, 5.1.5, 5.1.8, and 5.1.9 shall not apply to Additional Residential Units receiving funding through this program.
- 6.2 Signing authority for all documents related to the awarding of funding issued under Subsection 6.8 shall be as per the implementing delegation of authority by-law.
- 6.3 The Housing & Social Services Department shall prepare a program guide for the Additional Residential Unit Incentive Program to establish the terms and conditions for the program including but not limited to eligibility criteria, rent amount requirements, provisions for the forgivable loan.
- 6.4 Loans awarded under Section 6.8.2 (a) and (b) shall be advanced to the proponent upon the City's Building Division issuing an Occupancy Permit for the Additional Residential Unit. An Occupancy Permit must be issued within 12 months of the project being deemed eligible or the allocation of funding may be revoked at the discretion of the Housing & Social Services Department.
- 6.5 The proponent must enter into an agreement with the City; where determined appropriate by the Commissioner in consultation with the Legal Services Department. Contributions in an amount greater than \$5,000 shall be registered on title. The agreement shall at a minimum establish the affordability period, the initial rent charged, permitted rent increases, required documentation proving an eligible tenant occupies the unit, the maximum income criteria of a qualifying tenant, the schedule for the forgiveness of the loan and circumstances of repayment and general terms and conditions of the funding.
- 6.6 The Housing & Social Services Department shall review applications for funding and has the sole responsibility of awarding funding to qualifying projects and refusing funding to ineligible projects.
- 6.7 All projects receiving funding must comply with the Ontario Building Code, the zoning by-law, the Residential Tenancies Act, and any other applicable regulations which may apply from time to time.

6.8 Additional Residential Unit Incentive Program

- 6.8.1 All properties where Additional Residential Units are permitted by the zoning by-law shall be eligible to receive funding, subject to other program eligibility criteria.
- 6.8.2 The program shall include the following program streams:

- a) **Detached ARU Incentive**
The detached ARU incentive provides eligible property owners financial assistance of up to 50% of the project cost or \$40,000, whichever is less. Funding will be issued upon submission of the occupancy permit for the unit and submission of any other supporting documentation identified in the program guidelines.
- b) **Interior ARU Incentive**
The interior ARU incentive provides eligible property owners financial assistance of up to 50% of the project cost or \$30,000, whichever is less. Funding will be issued upon submission of the occupancy permit for the unit and submission of any other supporting documentation identified in the program guidelines.
- c) **Accessible ARU Grant**
The accessibility incentive provides a \$5,000 contribution to an ARU project that meets accessibility criteria. Funding will be issued upon submission of the occupancy permit for the unit and submission of any other supporting documentation identified in the program guidelines.
- d) **Rough-In Detached ARU Grant**
The ARU rough-in incentive provides a \$5,000 contribution to property owners that install rough-in servicing (i.e. water supply, sanitary sewer, and electrical supply) to accommodate a future detached ARU project. Funding will be issued upon completion of rough-in installation and submission of any other supporting documentation identified in the program guidelines. The Rough-In ARU Grant is limited to a maximum of ten units per project developer.
- e) **Servicing Constraint ARU Grant**
The servicing constraint incentive provides 50% of eligible costs, up to \$10,000, for servicing upgrades in areas with existing half-inch water service to support the creation of an ARU. Funding will be issued upon submission of the occupancy permit for the unit and submission of any other supporting documentation identified in the program guidelines.

6.8.3 In Section 6.8.2, incentive refers to a forgivable loan that is fully forgiven if the terms and conditions of the agreement are met during the five-year period and a grant refers to a contribution to a project that does not have any ongoing terms, conditions, or repayment requirements. The grants can be combined with the interior and detached ARU incentives.

6.8.4 For projects receiving the detached ARU incentive or the interior ARU incentive, the term of the loan shall be a minimum of five years from the date of occupancy. During this period the rent for the unit shall not exceed 90% of the average market rent for an equivalent-sized unit.

6.8.5 Loans awarded under this Subsection 6.5 shall demonstrate to the City's satisfaction that leases executed during the five-year term must be the standard form of lease entered into with an income-qualified household. Provided this condition is met, no repayment of the loan shall be required,

and the loan shall be forgiven in full five years after occupancy permit issuance of the unit.