



City of Kingston
Report to Housing and Homelessness Advisory Committee
Report Number HHC-19-002

To:	Chair, Housing and Homelessness Advisory Committee
From:	Peter Huigenbos, Acting Commissioner, Community Services
Resource Staff:	Sheldon Laidman, Director, Housing & Social Services
Date of Meeting:	February 14, 2019
Subject:	Second Residential Unit Grant – 2019 Program Modification

Executive Summary:

The Second Residential Unit Grant Program (the Program) provides capital funding and municipal Planning application fee rebates to homeowners who develop a new, or legalize an existing second residential unit. Since the Program's release in 2013, eight homeowners have accessed the funding. Staff have identified an opportunity to modify the program's eligibility criteria to support greater program uptake and the utilization of available funds.

The recommendation of this report intends to broaden the eligibility criteria of the Program to include both homeowners residing on the property that receive the funding as well as owners who intend to rent both the primary and secondary dwellings. It is intended that the proposed program modification will support increased program participation and funding delivery in 2019.

Recommendation:

That the Housing and Homelessness Advisory Committee recommend to the Arts, Recreation and Community Policies Committee that the revisions to the Second Residential Unit Grant Program, as outlined in Report Number HHC-19-002, to remove the owner occupancy requirement of the Program, be approved.

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Authorizing Signatures:

ORIGINAL SIGNED BY COMMISSIONER

**Peter Huigenbos, Acting Commissioner,
Community Services**

ORIGINAL SIGNED BY CHIEF ADMINISTRATIVE OFFICER

**Lanie Hurdle, Acting Chief
Administrative Officer**

Consultation with the following Members of the Corporate Management Team:

Jim Keech, President & CEO, Utilities Kingston	Not required
Desirée Kennedy, Chief Financial Officer & City Treasurer	Not required
Deanne Roberge, Acting Commissioner, Corporate & Emergency Services	Not required

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Options/Discussion:

In 2013, the Housing and Homelessness Advisory Committee (HHAC) considered [Report Number HHC-13-012](#) recommending an update to the Capital Investment in Affordable Housing Program which would permit existing program funds to be provided to homeowners developing second residential units. With the endorsement of HHAC and Council’s approval, the Capital Investment in Affordable Housing Program policy was amended and program guidelines were developed for the Second Residential Unit Grant Program (the Program).

The Program includes two funding streams:

- 1) Municipal Fee Rebate Program – provides a forgivable loan to projects within areas of the City where Planning applications are required including zoning by-law amendment, minor variance, or removal of holding symbol in an amount equivalent to the application fees to a maximum of \$7,000; participating homeowners must maintain an affordable rent and rent to an income eligible household for a minimum period of one year.
- 2) Second Residential Unit Affordable Housing Grant – provides a maximum \$15,000 forgivable loan to owner-occupied households who create a second residential unit while maintaining an affordable rental rate to income qualified households for a minimum of five years.

Since the implementation, eight homeowners have been provided funding through the program. Over the same period of time, 161 building permits have been issued for second residential units. Due to the modest uptake, Housing staff are recommending a program revision to support greater funding utilization by modifying an eligibility criterion that has limited homeowners’ interest in the past.

The following table outlines the key objectives and eligibility criteria outlined in the Program guidelines:

Objective/Criteria	Municipal Fee Rebate Stream	Affordable Housing Grant Stream
Program Objective	Provides a fee rebate to homeowners in areas of the City where municipal Planning application fees are required to permit a second residential unit.	Provides funding assistance to offset the capital costs associated with the development of a second residential unit.
Funding Amount	Up to \$7,000 is available to cover costs associated with applications for zoning by-law amendment, minor variance or holding symbol lift.	The lesser of \$15,000 or 75% of eligible development costs.

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Objective/Criteria	Municipal Fee Rebate Stream	Affordable Housing Grant Stream
Affordability Requirement	Rent must be maintained at 80% of the average market rent ¹ for a one year period.	Rent must be maintained at 80% of the average market rent ¹ for a five year period.
Tenant Selection	The homeowner can select any tenant, including family members that meet the maximum income requirements.	The homeowner can select any tenant, including family members that meet the maximum income requirements.
Home Owner Requirement	All property owners are eligible.	Owner-occupancy required (i.e. the homeowner’s primary residence must be at the property receiving the funding).
Repayment Requirement	Repayment of the loan is not required provided the second residential unit is rented to an income qualified household throughout the one year affordability period.	Repayment of the loan is not required provided the second residential unit is rented to an income qualified household throughout the minimum five year period.

¹ Average market rent surveys and reporting are completed annually by the Canada Mortgage and Housing Corporation.

Since the Program’s inception in 2013, advertising and public information sessions have sought to generate further interest and uptake. However, over the five years of implementation it has become apparent the criteria may cumulatively be too restrictive and have inadvertently limited the ability of the Program to stimulate the development of affordable second residential units.

The Affordable Housing Grant requires the homeowner to have their primary residence at the property where the second residential unit is to be developed. The intent of this criteria, as outlined in [Report Number HHC-13-009](#), was to direct funding to households that might need the rental income to assist with mortgage payments while excluding property owners intending to rent both the primary and secondary dwellings. Staff are recommending the elimination of this criterion to expand access within the Affordable Housing Grant program stream. Staff recognize that the participation of all interested property owners in the creation of additional housing opportunities will increase rental housing supply, secure affordable rents for a period of time and encourage private sector investment in small-scale housing creation and renewal.

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Second residential units are currently permitted as-of-right within specific areas of the City as identified within the applicable zoning by-law. In 2019, Planning staff will be recommending the expansion of the existing second residential unit as-of-right permission area to include the remainder of the City where servicing constraints do not exist. It is likely that the inclusion of additional areas of the City will support further development of second residential units and applications under the Program.

Housing staff will report back to the HHAC in the first quarter of 2020 on the outcomes of the modification to the Second Residential Unit Grant Program.

Existing Policy/By-Law:

Capital Investment in Affordable Housing Program

- A policy update in 2013 permitted program funding to be committed to eligible homeowners developing affordable housing second residential units.

10-Year Municipal Housing and Homelessness Plan

- Includes a recommendation that the City and Council provide support for second residential units as an affordable rental housing alternative.

Notice Provisions:

Not applicable

Accessibility Considerations:

Not applicable

Financial Considerations:

The proposed affordable housing program modifications recommended in this report will be supported by existing approved program budgets; no additional funds are being sought.

Contacts:

Sheldon Laidman, Director, Housing & Social Services 613-546-4291 extension 4957

Other City of Kingston Staff Consulted:

Laura MacCormick, Deputy Director, Planning

Ruth Noordegraaf, Manager, Housing and Childcare Programs

John Henderson, Housing Programs Administrator

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Exhibits Attached:

Exhibit A Second Residential Unit Affordable Housing Grant Program Guideline

City of Kingston

Second Residential Unit Affordable Housing Grant Program Guideline



The City of Kingston is offering the **Second Residential Unit Affordable Housing Grant Program** to stimulate homeowner investment to create alternate housing options within the City.

This program includes two different funding streams:

1

Second Residential Unit Municipal Fee Rebate

This stream provides a forgivable loan for projects within areas of the City where Planning applications are required to permit a second residential unit. Eligible expenses include required municipal application fees of up to a maximum \$7,000. Forgiveness of the loan is dependent on providing the unit at an affordable rental rate to an income qualified household for a minimum one year affordability period.

2

Second Residential Unit Affordable Housing Grant

This stream provides a forgivable loan of the lesser of \$15,000 or 75% of the costs associated with developing a second residential unit. Funding will be provided to owner-occupied households who create a second residential unit and commit to providing the unit at an affordable rental rate to an income qualified household for a minimum five year affordability period.

A Second Residential Unit, also known as a basement apartment, granny flat, or in-law suite is a self-contained accessory dwelling associated with a single-detached, semi-detached, or row house dwelling. Second residential units must meet applicable Zoning By-Law and Building Code regulations in order to provide healthy and safe living conditions while integrating appropriately within the neighbourhood.

Before completing and submitting an application for the **Second Residential Unit Grant Program**, be sure to review the **Guide to Developing a Second Residential Unit within the City of Kingston** and the **Second Residential Unit Building Permit Guide** to ensure your property can legally accommodate a second residential unit.

Both guides are available at: www.cityofkingston.ca/housing

1. Introduction

To complement existing affordable housing programs available within the City of Kingston, the **Second Residential Unit Grant Program** is now being offered to allow homeowners to participate in the creation of additional modestly priced rental housing within the City. Participants of the Second Residential Unit Grant Program must commit to:

- 1) renting the suite at an affordable rate for an agreed upon period of time, and
- 2) rent the suite to a household that meets certain household income criteria.

Provided these two requirements are met, there are no other conditions or requirements on who can rent the suite. This guide provides an overview of the Second Residential Unit Grant Program including program eligibility criteria and affordability period requirements.

Second Residential Unit Grant Program Highlights

- Provides financial assistance in the form of a forgivable loan to homeowners who create a new second residential unit or renovate an existing second residential unit to meet appropriate Building and Fire Code requirements.
- A Funding Agreement will be executed between the homeowner and the City; the agreement will specify the requirements of the homeowner and other terms and conditions of the loan.
- All Funding Agreements providing greater than \$5,000 will be secured through registration on title of the property behind any primary mortgage financing; projects receiving less than \$5,000 will provide appropriate security in the form of a Promissory Note.
- Full forgiveness of the loan is dependent on maintaining compliance with the Funding Agreement for the duration of the affordability period; contravention of the funding agreement may result in the required repayment of the loan.
- Prior to receiving conditional acceptance into the program, the property must not have any outstanding property taxes or other outstanding fees or charges owed to the City of Kingston.
- Program funding is dependent on available municipal budget associated with the Affordable Housing Capital Investment Program. Eligible projects submitted during or following construction will only be considered if funding is available.

2. Program Streams

2.1 Second Residential Unit Municipal Fee Rebate

The **Second Residential Unit Municipal Fee Rebate** stream is intended to reduce the costs associated with the creation of a second residential unit within areas of the City where municipal planning approvals are required. Eligible expenses include application fees collected by the City's Planning & Development Department at the time a required application is submitted by a homeowner. Typical applications required within the urban area of the City (i.e. generally areas south of Highway 401) include Zoning By-law Amendment or Minor Variance. Within areas north of Highway 401, a Holding Symbol Lift application will be required. The fees associated within these applications are as follows:

Municipal Planning Application Fees

Application Type	Application Fee
Zoning By-law Amendment	
a. Minor Application (no addition to the building is proposed)	\$3,591.60
b. Basic Fee (generally required when an addition is proposed)	\$6,959.25
Holding Symbol Lift (required in rural area north of HWY 401)	\$2,020.60
Minor Variance (required when minor relief from zoning by-law is required)	\$2,158.85

Note: In addition to the application fees, additional costs may be incurred by the homeowner to acquire any studies or reporting required in support of the application. Fees associated with such studies and reporting are not eligible for reimbursement within this funding stream; however, these costs could be eligible expenses within the Second Residential Unit Affordable Housing Grant program.

The **Second Residential Unit Municipal Fee Rebate** stream provides a maximum of \$7,000 of funding to cover required application fees. A homeowner participating in this grant stream is required to rent the suite at an affordable rate to an income qualified household for a minimum one year affordability period. Upon occupancy of the unit, the homeowner will be required to provide proof of the rental rate and the tenant household's gross income as indicated on the previous year's Canada Revenue Agency Notice of Assessment (Line 150) before the funding will be provided. If the second residential unit becomes vacant during the one year affordability period, a new tenant must be selected that meets the income qualification and proof of income eligibility must be provided to the City. After the one year period, the homeowner has no further obligations with respect to the affordability agreement; however, rental rate increases would be subject to maximum rates as established annually by the Residential Tenancies Act as long as the occupant continues to reside in the suite. After the one year affordability period, and upon a new tenant taking occupancy of the second

residential unit, the rental rate could be re-established at an agreed upon amount with the new tenant. Provided the homeowner meets the requirements of the one year affordability period, no repayment of the funding assistance would be required.

2.2 Second Residential Unit Affordable Housing Grant

The **Second Residential Unit Affordable Housing Grant** stream provides a further level of financial assistance to homeowners who create a new second residential unit or upgrade an existing second residential unit to meet appropriate Building and Fire Code requirements. Within this funding stream a minimum five year affordability period is required. The maximum funding available is the lesser of \$15,000 or 75% of the incurred costs; receipts will be required as proof of expenses. Homeowners accessing this funding program must have their primary residence located at the property that is receiving the funding. Upon occupancy of the unit, the homeowner will be required to provide proof of the rental rate and the tenant household's gross income as indicated on the tenant's previous year's Canada Revenue Agency Notice of Assessment (Line 150). On the anniversary of the initial occupancy, the homeowner will be required to submit proof of the monthly rental rate. After the initial occupancy, the homeowner would only need to prove tenant income eligibility if the occupancy changes during the five year affordability period.

After the five year affordability period, the homeowner has no further obligations; however, rental rate increases would be subject to maximum rates as established annually by the Residential Tenancies Act as long as the occupant continues to reside in the suite. After the affordability period and upon a new tenant taking occupancy, the rental rate could be re-established at an amount agreed upon with the new tenant. Provided the homeowner meets the requirements of the five year affordability period, no repayment of the funding assistance would be required.

3. Frequently Asked Questions

What are the key terms and conditions of the grant?

- ✓ Participants in the **Municipal Fee Rebate** program must enter into a funding agreement establishing a one year affordability period.
- ✓ Participants in the **Affordable Housing Grant** program must enter into a funding agreement establishing a five year affordability period.
- ✓ The funded suite must be available for rent throughout the entire term of the Funding Agreement.

- ✓ The owner of the home must comply with the funding agreement for the entire affordability period in order for the loan to be fully forgiven at the end of the term.
- ✓ The funded property must be the primary residence of homeowners who participate in the **Affordable Housing Grant** program stream.

How does the City determine the affordable rental rate?

- ✓ The maximum rent charged is 80% of the Canadian Mortgage and Housing Corporation’s Average Market Rent for a comparable sized unit; the 2017 rates for the Kingston area are as follows:

Bedroom Count	2017 Average Market Rent (Utilities Included)	80% Affordable Rent (Utilities Included)
Bachelor Unit	\$694	\$555
One Bedroom	\$942	\$754
Two Bedroom	\$1,119	\$895

Note: Average Market Rents are revised annually on January 1; during occupancy regular annual rent increases are permitted in accordance with the Residential Tenancies Act. No additional fees for parking are permitted.

What happens if I want to sell my home prior to the end of the affordability term?

- ✓ For both programs, if you sell or transfer ownership of your home during the term of the Funding Agreement, you can either transfer the agreement to the new owner or payout the balance of the loan.
- ✓ In the case of transferring to a new homeowner, the new owner will be responsible for fulfilling the terms and conditions of the agreement.
- ✓ For the **Affordable Housing Grant**, if the Funding Agreement is not transferred to the new homeowner, you will be required to repay the outstanding prorated balance of the loan (i.e. prorated based on 20% per year of compliance with the funding agreement).

Am I eligible to receive funding through the program?

- ✓ Your property must be within the City of Kingston and meet the requirements of the Ontario Building Code and applicable zoning by-law requirements.
- ✓ If you have property taxes in arrears or other outstanding charges owed to the City, conditional acceptance into the program will not be issued until the arrears are cleared.

What are the income eligibility criteria for tenants of the second residential

- ✓ Upon the initial tenancy being established, or when a new tenancy occurs at any point during the affordability period, the tenant’s gross household income must be below the following maximum household income limits:

Bedroom Count	Maximum Income Limit
Bachelor Unit	\$26,000
One Bedroom	\$33,000
Two Bedroom	\$40,000

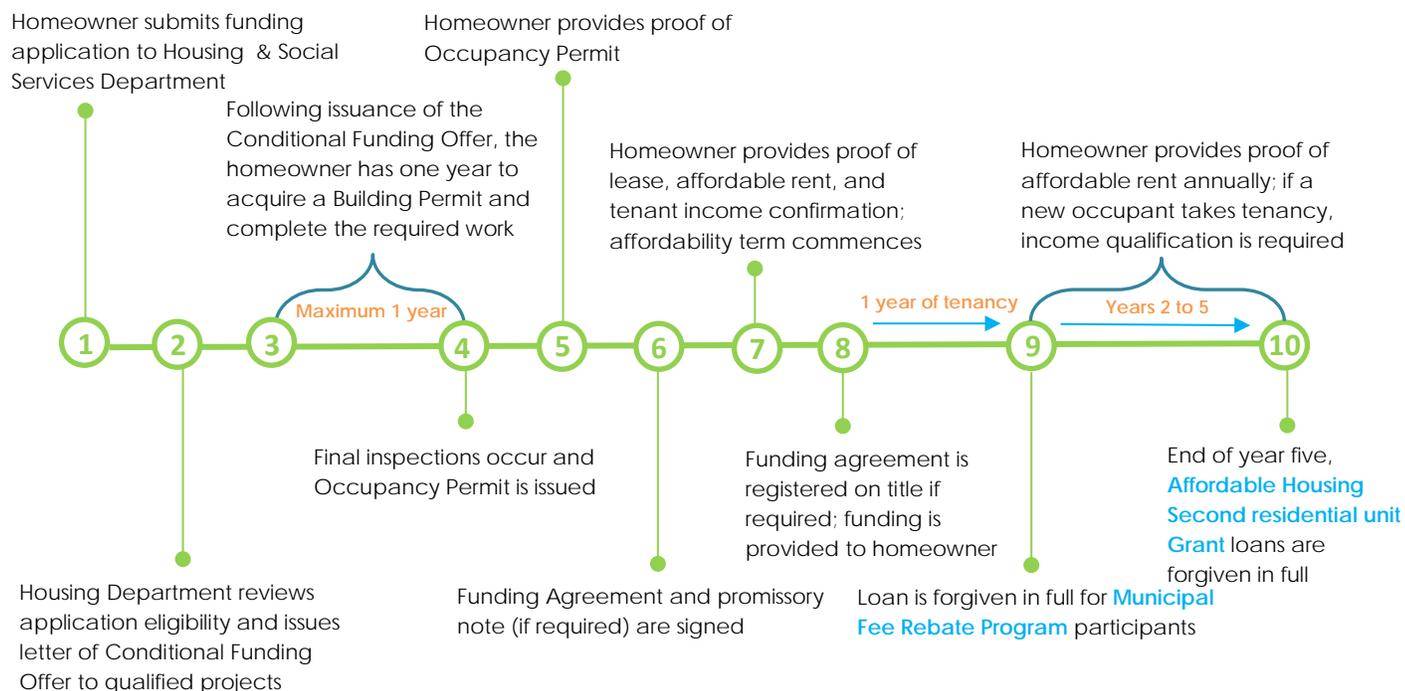
Note: Gross household income is the total of the incomes of all members of the household as established by the before tax income as stated on the previous year’s Canadian Revenue Agency Notice of Assessment (Line 150). Upon a new tenancy occurring during the one or five year affordability period, confirmation of the tenant’s income is required to be provided to the City.

The programs at a glance

	Second Residential Unit Municipal Fee Rebate	Second Residential Unit Affordable Housing Grant
Funding Program Objective	Provides a fee rebate to homeowners in areas of the City where Municipal Planning application fees are required to permit a second residential unit.	Provides funding assistance to offset the costs associated with the development of a second residential unit.
Amount of Funding Available	Up to \$7,000 is provided to cover costs associated with applications for zoning by-law amendment, minor variance, or holding symbol lift.	The lesser of \$15,000 or 75% of eligible construction costs; receipts are required to claim expenses.
Length of Affordability Period	The homeowner must rent the second residential unit at an affordable rental rate for a minimum one year period.	The homeowner must rent the second residential unit at an affordable rental rate for a minimum five year period.
Tenant Selection	Any tenant household can occupy the second residential unit provided the income eligibility criteria outlined within this guide are met at the time that the tenancy commences.	Any tenant household can occupy the second residential unit provided the income eligibility criteria outlined within this guide are met at the time that the tenancy commences.
Repayment Requirements	Repayment of the loan is not required provided the second residential unit is rented to an income qualified household throughout the one year affordability period.	Repayment of the loan is not required provided the second residential unit is rented to an income qualified household throughout the minimum five year period. If a homeowner should be required to cancel the agreement or no longer qualifies, repayment of the loan will be prorated.

How the Application and Funding Process Work

Homeowner Responsibilities



City of Kingston Responsibilities

Before submitting an application you should...

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Review the information materials provided on the Housing Department’s Second Residential Unit information webpage: www.cityofkingston.ca/secondarysuites
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Complete the Zoning Checklist and review with the Planning, Building & Licensing Department to determine if your property meets the Zoning By-law requirements. For assistance completing or to review the Zoning Checklist with a Planner contact:
 Planning and Development Department, 1211 John Counter Boulevard, (613) 546-4291 extension 3180 or planning@cityofkingston.ca
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Determine how the construction of your second residential unit will be funded and whether the City’s grant assistance and affordability period requirements fit your objectives.
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If you have additional questions about the funding program or to submit an application contact:
 Housing Department, (613) 546-2695 extension 4949 or housing@cityofkingston.ca

This document is available in alternate format upon request.