

Inclusion of Affordable Housing in New Transit-Oriented Developments in Canadian Cities

Many large cities in Canada are experiencing rapid growth in all types of new developments near transit locations. For municipalities, this represents an opportunity for a transit-oriented development (TOD) model, in which mixed-use communities are clustered within an average 610-metre (2,000-foot) walking distance from a transit stop and core commercial area. Despite a growing demand for inclusive affordable housing in TODs and related municipal housing policies, the shortage of housing units for modest-income households in these projects has become a central issue.

Populations experiencing vulnerability or those with lower incomes are facing aging rental affordable housing stock, high monthly rental costs and low vacancy rates for all types of housing. However, such populations would benefit from living in TODs as it could reduce travel costs, commute times, and enable easy access to social infrastructures, such as schools or hospitals. Land and construction costs and rising property values near transit areas remain the main challenges for housing providers and municipalities when planning and building transit-oriented affordable housing (TOAH). A better understanding of the key barriers and possible solutions for the inclusion of affordable housing in TODs would benefit policy makers and housing providers in addressing the issue.

Transit-Oriented Affordable Housing (TOAH)

Broadly, this term refers to transit-oriented development which integrates affordable housing. Metro Vancouver is currently the only municipality in Canada that uses this term in its housing strategies. Metro Vancouver defines TOAH as: "Rental housing that is: purpose-built (security of tenure); affordable to households earning 80% of regional median household income (\$60,000; \$1,500 rent); located within walking distance to frequent transit."

(Kan & Carley, 2019, p. 4).

About CMHC Data, Research and Analysis

CMHC exists to make housing affordable for everyone in Canada. To achieve our goal that everyone in Canada has a home that they can afford and then meets their needs, our data, research and analysis efforts will primarily focus on, but are not limited to:

- investments required for households in core housing need;
- market housing demand, supply gaps and affordability imbalances;
- racism and discrimination as a barrier to housing;
- the effects of climate change on housing;
- effectiveness of current housing policies and potential future policies; and
- working with Indigenous groups to understand their distinct housing needs.

As a trusted source of housing information, CMHC provides unbiased housing-related data, research and market information to help close knowledge gaps and deepen understanding of complex housing issues to inform future policy decisions.

Sign Up

Get the latest findings directly in your inbox



cmhc.ca/researchnewsletter

Project Overview

Canada Mortgage and Housing Corporation (CMHC) commissioned PRA Inc. to conduct research on how to increase the inclusion of affordable housing in new TODs in Canada. The research focused on rental units and used a multimodal design that included a literature review, 26 key informant interviews (municipal governments, regional planning organizations, private and non-profit developers, and academics) and the development of 9 case studies. This research shed light on policies and tools used by various levels of government to create affordable housing units (rental or ownership) in new TOD projects; the contributing factors that enhance or restrict the capability to do so and how housing stakeholders overcome them to achieve success measures. In addition, the research sought to establish the best ways to communicate how increasing affordable housing in TODs can be achieved.

Key Findings

The results of the research underscore that no single policy can ensure an adequate supply of affordable housing in TODs. Rather, this complex issue requires an approach which combines tools at every stage of the housing supply system, and co-operation between the various levels of government as well as between governments and housing contributors.

Table 1 provides a summary of solutions to key TOD project challenges used by research participants.

Table 1: Key challenges and possible strategies in implementing affordable housing in new TODs

Challenges	Mitigating strategies
Using government-related policy tools to provide affordable housing in TODs	
<p>Lack of targeted government policies and effective strategies to enhance the inclusion of affordable housing in TODs</p>	<ul style="list-style-type: none"> • Reduce uncertainty through interventions in the early stages of planning and designing such policies and programs in order to conform to municipal affordable housing goals. This was unanimously indicated by key informants as being the most efficient approach. • Greater incentives for maintenance and renovation of existing buildings are preferred over funding new construction, as cities struggle to maintain the current supply of aging affordable housing units.
Overcoming local socio-economic and other factors that influence the inclusion of affordable housing in TODs	
<p>Difficulty for housing developers to include affordable housing units in TODs in place of market-rate rental units or condominiums</p>	<ul style="list-style-type: none"> • Providing integrated planning of housing and transit is necessary in response to the affordable housing shortage across Canada and its implementation in TODs. Most key informants consequently pointed to the importance of coordinating housing and transit development in city planning. • Encouraging measures to supply new affordable rental housing units as well as preserving existing units near transit hubs. • Reducing costs and managing risk. Public, government, and non-profit housing developers stated the need for increased targeted funding at the start of affordable housing projects (such as CMHC's Rental Construction Financing Initiative and the National Housing Co-Investment Fund), and stronger coordination between government departments in charge of affordable housing as factors that facilitated the inclusion of affordable housing overall - especially in areas where rents and property values are high, and the inclusion of family units are needed. <ul style="list-style-type: none"> - Incentives at the early stage of project development that help to offset design costs and maintain the ability to create financially viable projects that target affordable housing in TODs were mentioned by all key informants as the most efficient way to directly reduce costs for housing developers and increase profits. - Lowering the investment risks by allowing density bonuses, reducing parking requirements, waiving fees and taxes, and processing and stacking government program funding.
Overcoming the restrictive factors to including affordable housing in TODs	
<p>NIMBYism and gentrification leading to increasing housing land costs</p>	<ul style="list-style-type: none"> • Housing developers recommend to engage the community in public consultations on new developments, especially in the early stages of planning to reduce NIMBYism. • Policies should focus on favourable zoning practices and regulations – especially in the early stages of planning and design – such as inclusionary zoning regulations embedded in official city plans, pre-zoning of unused city-owned land in TODs to encourage the construction of affordable rental units.

Challenges	Mitigating strategies
<p>Difficulty to integrate affordable housing units in planned project and planning decisions</p>	<ul style="list-style-type: none"> • Public-private partnerships. Private housing developers stated that partnering with government usually helped with approval procedures. This benefited both parties as well as potential residents. Municipalities benefit from partnering with private or non-profit developers who have the resources to design and build housing, while cities maintain some control over the management of affordable units included in housing projects. • Collaborate with municipal governments to identify opportunities (such as sites or buildings) to include affordable housing in TODs. • Impacts of the planning system during the project life cycle: <ul style="list-style-type: none"> - Planning and design. Interventions, such as site rezoning, are preferably completed prior to the project planning and design phases in order to conform to municipal affordable housing goals. In this way, it is possible for housing developers to incorporate such requirements into their initial proposals and design plans. - Construction. Expediting approval processes and efficient bidding processes would reduce the risk of in building costs. In addition, it would reduce developers' borrowing costs and financial risks.
<p>Measuring the success of affordable housing projects in TODs</p>	
<p>Viability of affordable housing units in TODs</p>	<ul style="list-style-type: none"> • Key elements of maintaining financial feasibility in TODs such as mixed-used zoning policies and integrating market-rate rental units, including non-residential commercial and office space, at the early stage of the project design were described by key informants as important measures.
<p>Inclusion of environmental considerations in affordable housing TODs</p>	<ul style="list-style-type: none"> • Respondents identified benefits and levers, such as funding from environmental agencies, access to government subsidies, prestige in the form of awards and public recognition, as key to overcome possible cost burdens related to the inclusion of environmental considerations in affordable housing TODs. • Key informants felt that a building's useful life could be extended through life cycle maintenance measures, such as more regular (recurrent) and predictable funding. Using more durable materials to build and maintain buildings will impact the quality of the affordable housing stock in TOD areas.
<p>Communicating government tools to housing contributors</p>	
<p>Multiple platforms to access information</p>	<ul style="list-style-type: none"> • Informational websites aimed at a broad audience that include many types of housing profiles should be made available. A one-stop shop single website would increase efficiencies by gathering as much information as possible when searching for policies and forms.

Some **municipalities found creative ways to support the inclusion of affordable housing in TODs** and reducing affordable housing project costs. Below is a summary of the case studies' policies and tools used to address the main barriers. When completed, these TODs will add approximately 3,500 affordable rental housing units to the Canadian rental housing stock.

1. **Marine Gateway, Vancouver:** The City used several tools such as targeted funding programs, zoning and density bonuses, property tax reassessments favouring rentals, development cost waivers and parking reductions to encourage a private developer to include affordable housing in a mixed-use development.
2. **Bridgeland Affordable Housing Development, Calgary:** The City took leadership in prioritizing the affordable housing issue in its strategic plans, implementation plans, reporting and research. Strong community engagement in planning was helpful for the project acceptance, reducing delays and possible financial risks. Those were reduced by using municipal land, property tax exemption, stacking municipal and CMHC funding.
3. **Park City Commons, Winnipeg:** The short construction season was the most important risk to consider for private developers along with ensuring that municipal project and funding approvals were received in time to begin building at the start of the construction season. Partnership with the City was key to achieving expected results.
4. **705 Warden Avenue, Toronto:** Policies like the City of Toronto's Housing Now Initiative along with tools, such as land control, zoning bylaws and reduce parking requirements, were used to reduce housing providers' risks in implementing affordable housing units where TODs' property values are high.
5. **Christie Site, Toronto:** City-wide official plan prioritizing affordable housing and secondary plans setting a minimum number of affordable housing units were used to align project proposals in TOD areas with Toronto's affordable housing needs.
6. **The Haven, Ottawa:** The City used levers, such as having a parcel of land set aside when the Transitway was developed and granting a property tax exemption to reduce Multifamily Housing Initiative's (MHI) financial burden and contribute to maintaining below-market rental rates for tenants.
7. **Gladstone, Ottawa:** The affordable housing developer, Ottawa Community Housing (OCH), purchased surplus federal lands (from Canada Lands Corporation) and benefitted from property tax and development fee exemptions. In addition, the City's secondary planning for affordable housing development set targets for OCH's project near Gladstone Station Light Rail Transit.
8. **Le Suroît, Montréal:** Aligned with the city-wide inclusionary zoning policy, the co-operative, established by residents, relied on such levers as using municipally owned land along with the provincial and municipal governments' existing housing and new social affordable housing subsidy programs. Using these tools ensured a variety of residential housing products (i.e. one-bedroom, two-bedroom, three-bedroom, and four-bedroom units) aligned with the residents' affordable housing needs.
9. **Projet Îlot Rosemont, Montréal:** This municipally developed project, by *l'Office municipale d'habitation de Montréal*, reduced its land cost by being located on top of an existing metro station. In addition, it leveraged existing housing subsidy programs (provincial and municipal).

Fast Facts

Strategies for reducing housing land costs

From the research evidence, land cost remains the most significant constraint for housing developers (private, non-profit and public) to include affordable housing in TODs. From key informants' experience, the following strategies have the potential to reduce housing providers' risk by helping to increase predictability, reduce their land and borrowing costs, ensure the projects' viability and respond more quickly to policies to include affordable housing in TODs. These strategies would have the greatest impact in reducing land costs if applied ahead of the planning phase.

- **Developing inclusionary objectives and measures** (such as inclusionary zoning) to support the inclusion of affordable housing in TODs areas. Consider density bonuses to help to reduce construction cost impacts.
- **Reducing land acquisition costs** by implementing measures, such as land reserves, tax waivers, increasing the availability of public land and leveraging existing infrastructures, such as TOD buildings.
- **Engaging with the community** by carrying out public consultations upstream of the projects to foster greater acceptability of affordable units in TODs and lower property prices, therefore avoiding delays impacting project execution and profitability.
- **Expedite the approval of TOD projects** by seeking effective processes, such as rezoning land and an approval assessment tool to expedite the approval of TOD projects. Provide assistance to housing developers with approvals procedures. Fee waivers or reduced parking requirements also contribute in reducing their financial burden.
- **Implementing incentive programs** to include affordable housing in TODs. Stacking them with existing programs, such as the National Housing Strategy funding programs, to create a financial lever to reduce housing developers' costing risks and optimize the conditions to include affordable housing units, especially in areas where rents and property values are high.

Implications for the Housing Industry

The development of affordable housing in TODs is still relatively new in Canada. The research highlights many successful strategies for embedding affordable housing in TODs but many challenges remain. The research evidence identified local success measures to reduce risks and encourage the development of affordable housing units in TODs:

- An integrated planning approach between housing and transportation is key to identify surplus of public land or sites readily available for affordable housing projects. Such an approach would contribute to reducing land costs and financial risks, while maximizing affordable housing unit outcomes.
- Affordable housing programs would have the greatest impact in developing units and reducing developers' risks if they are implemented early in the TOD development process.
- The impact of government supports for the development of affordable units is maximized when local inclusive housing policies are already in place to guide housing developers in including affordable housing in their projects.
- Planning tools, such as parking reduction near TODs, have also the potential to reduce the financial risks for the project's life cycle and increase housing project viability.
- Accessing information such as policies, funding programs and tools early in the project planning process (i.e., through websites or apps) would help housing developers to maximize their efficiency in developing affordable housing units and reducing housing needs.



Full Report

Inclusion of Affordable Housing in New Transit-Oriented Developments in Canadian Cities

https://eppdscrmssa01.blob.core.windows.net/cmhcprodcontainer/sf/project/archive/research_6/ah-in-tods_final-version_11-may-2021_high-res-pictures_combined.pdf

For Further Reading

Research Insight: Developing socially inclusive affordable housing, 2020

<https://assets.cmhc-schl.gc.ca/sites/cmhc/data-research/publications-reports/research-insight/2020/research-insight-developing-socially-inclusive-affordable-housing-69693-en.pdf>

Research Insight: Understanding Social Inclusion and NIMBYism in Providing Affordable Housing, 2020

<https://assets.cmhc-schl.gc.ca/sites/cmhc/data-research/publications-reports/research-insight/2020/research-insight-social-inclusion-nimby-affordable-housing-69697-en.pdf>

Project Manager

Josée Dion
Housing Needs Research
Canada Mortgage and Housing Corporation

Consultant

PRA Inc.

CMHC helps Canadians meet their housing needs

Canada Mortgage and Housing Corporation (CMHC) has been helping Canadians meet their housing needs for more than 70 years. As Canada's authority on housing, we contribute to the stability of the housing market and financial system, provide support for Canadians in housing need, and offer unbiased housing research and advice to Canadian governments, consumers and the housing industry. Prudent risk management, strong corporate governance and transparency are cornerstones of our operations.

For more information, visit our website cmhc.ca or follow us on [Twitter](#), [LinkedIn](#), [Facebook](#), [Instagram](#) and [YouTube](#).

You can also reach us by phone at 1-800-668-2642 or by fax at **1-800-245-9274**.

Outside Canada call **613-748-2003** or fax to **613-748-2016**.

Canada Mortgage and Housing Corporation supports the Government of Canada policy on access to information for people with disabilities. If you wish to obtain this publication in alternative formats, call **1-800-668-2642**.

©2022, Canada Mortgage and Housing Corporation. All rights reserved. CMHC grants reasonable rights of use of this publication's content solely for personal, corporate or public policy research, and educational purposes. This permission consists of the right to use the content for general reference purposes in written analyses and in the reporting of results, conclusions, and forecasts including the citation of limited amounts of supporting data extracted from this publication. Reasonable and limited rights of use are also permitted in commercial publications subject to the above criteria, and CMHC's right to request that such use be discontinued for any reason.

Any use of the publication's content must include the source of the information, including statistical data, acknowledged as follows:

Source: CMHC (or "Adapted from CMHC," if appropriate), name of product, year and date of publication issue.

Other than as outlined above, the content of the publication cannot be reproduced or transmitted to any person or, if acquired by an organization, to users outside the organization. Placing the publication, in whole or part, on a website accessible to the public or on any website accessible to persons not directly employed by the organization is not permitted. To use the content of this CMHC publication for any purpose other than the general reference purposes set out above or to request permission to reproduce large portions of, or the entire content of, this CMHC publication, please send a Copyright request to the Housing Knowledge Centre at Housing_Knowledge_Centre@cmhc.ca. Please provide the following information: Publication's name, year and date of issue.

Without limiting the generality of the foregoing, no portion of the content may be translated from English or French into any other language without the prior written permission of Canada Mortgage and Housing Corporation.

The information, analyses and opinions contained in this publication are based on various sources believed to be reliable, but their accuracy cannot be guaranteed. The information, analyses and opinions shall not be taken as representations for which Canada Mortgage and Housing Corporation or any of its employees shall incur responsibility.