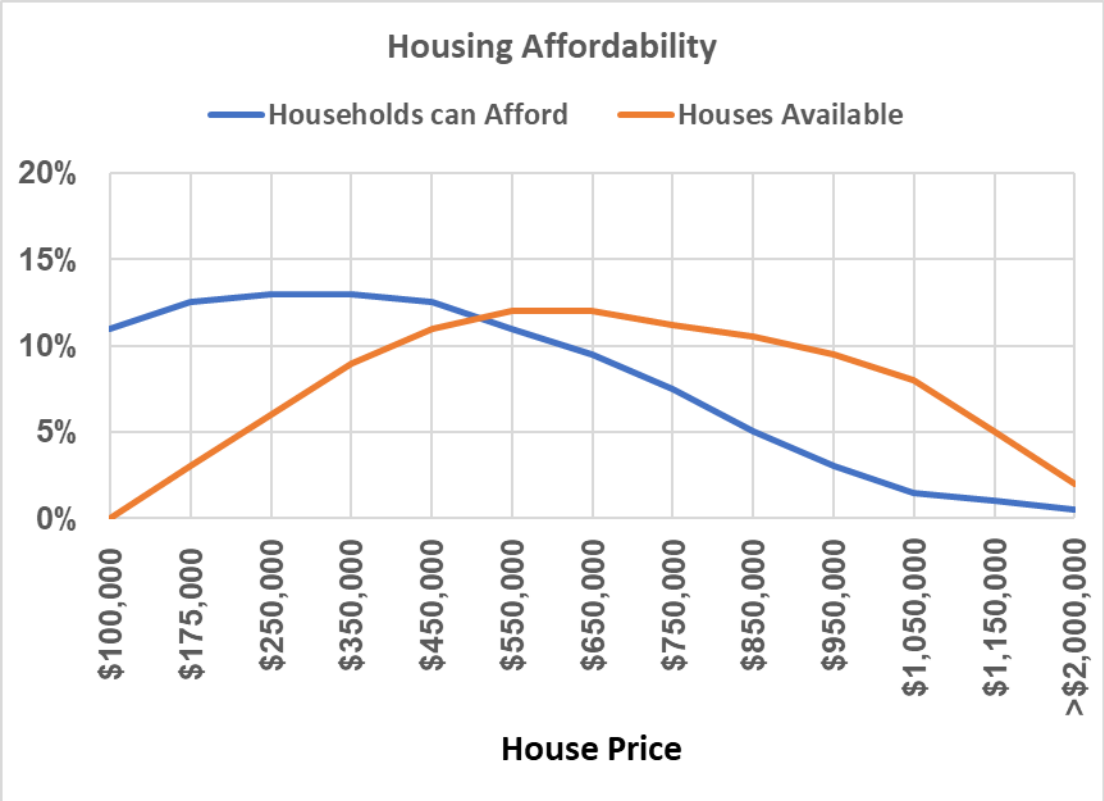
How Trees Change Housing

If developers are not permitted to clear cut building sites, they can't fit as many expensive homes on the property and will not purchase the land. If trees are protected and smaller housing is built by non-for-profit organizations, more affordable housing will be provided.

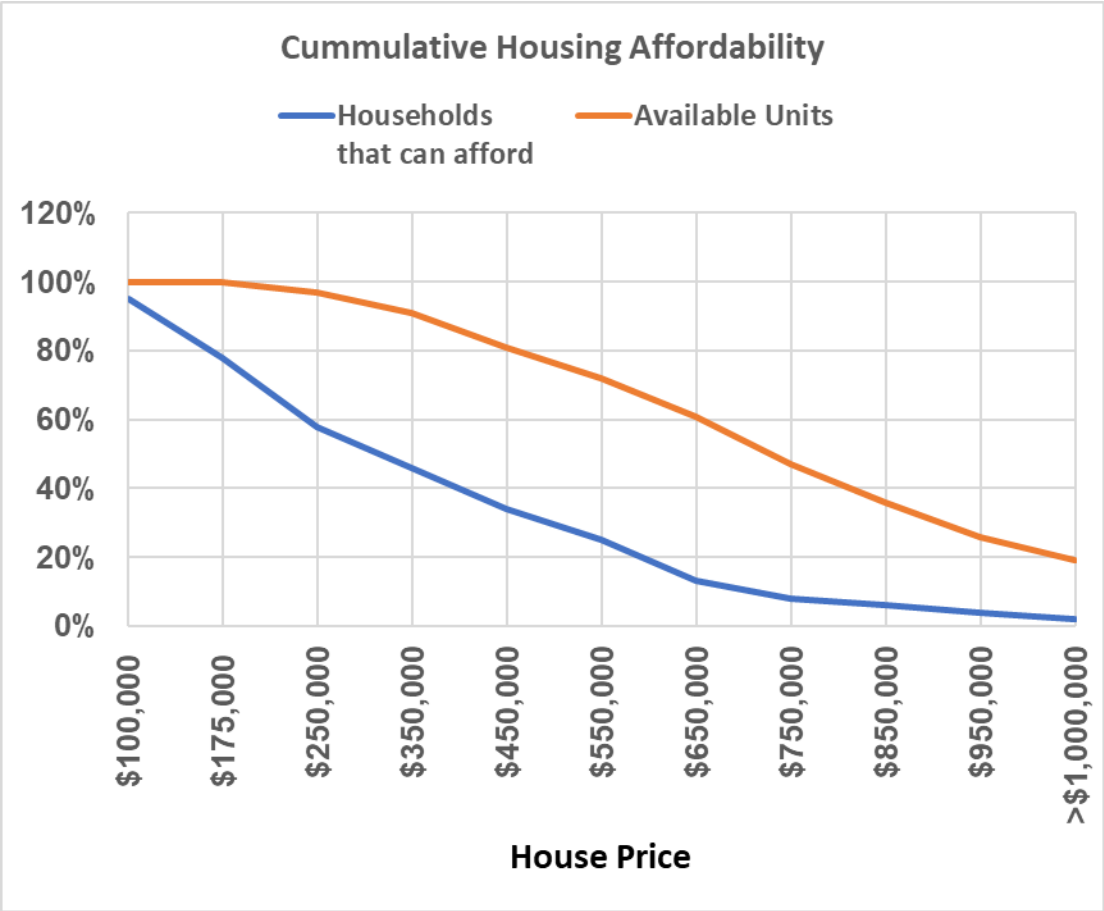
The cost of housing in Burlington is unaffordable to half the residents based on household income (Halton Region 2017 and StatsCan 2016). The chart below shows that there are not enough housing units under $500,000 for those that can afford the cost of 30% of gross household income. For example, the affordable housing threshold by Halton Region is $362,000 for 2017. The chart shows that about 13% of residents earn this income but that only10% of housing units are available at this price. Halton Region says we are short 5,000 units at the affordability level. Above $500,000 there is more supply than people can afford.



Let's look at it another way. The next chart breaks down income on a cumulative basis. 95% of the residents can afford to buy a house for $100,000. At the other end of the scale, only 2% can afford houses over $1 million. But the supply from lowest to highest is more than working people can afford.

So how do people live in these expensive homes? Most have built up equity over time and don't need the household income to provide the 30% level. Some have help from family and friends. Some decide to spend more on housing and cut back in other areas.

But when they sell, who will have the income without equity to afford to buy them? One major source is people downsizing from Toronto where they do have equity and find $2 million homes a bargain.



House price is only one measure of affordability. In calculating the affordable house price assuming 30% of gross household income, a number of items are considered which include mortgage payments, taxes, utilities, insurance, maintenance, repairs and decorating. All these items vary over time but typically, paying off the mortgage and general rise in real resale value results in an equity build up over time. But nothing is guaranteed.

Similarly, for rental units, Halton provides affordability numbers. The threshold is $1932 total cost per month which requires a gross household income of $103,700. Rental units tend to be the lower end of the price range where fewer units are available and that is why so many renters can't find units they can afford.

Where is this expensive supply of housing coming from? Developers who assemble old properties all across the city mainly in established neighbourhoods. They buy up large lots with single family homes and apply to build expensive townhouses or mid rise condos. Often, they don't have to change the zoning but they usually do because the City will approve it so they can squeeze in another home or two. Not only are the new

houses expensive, but all the mature healthy trees are cut down and replaced with a token amount of “lollipop” trees. This reduces the already deficient urban tree canopy.

Buy three lots zoned for RM2 for $1.9 million and put in 11 townhouses selling for $0.8 million each. Cost to build at $400,000 each plus land is $6.3 million and income is $9 million. Nice profit of $2.7 million.

For Sale, $819,900, 3 bedroom, 4 bath, 1850 sq. ft.

But affordable housing can be provided instead of expensive townhouses. If the trees are not all removed, the size of housing will decrease along with the price. This makes in undesirable for developers while nonprofit organizations can provide the needed affordable housing.

The City of Burlington can fight back even if there is no private tree bylaw. And once there is, it gets easier. Three scenarios exist.

1. Approved Applications Going Through Site Plan Application

These applications were approved by Council where no private tree bylaw existed.

Sales
2130 New Street (R3.2 to R5) - $725,000 Jun 30, 2014 plus adjacent lot
3225 New Street (RM2) - $500,000 Dec 19, 2014 plus adjacent lot
2360 to 2368 New Street (RM2) –$1,900,000 May, 2017 three properties
2072 Ghent Avenue (RM3) - $234,000 JAN 2, 2001 plus 7 adjacent lots
33 Fairwood Place West (R2.1), $555,000 Nov 15, 2016 plus adjacent lot
92 Plains Road East (RM1), $700,000 Jan 30, 2015
4063 Upper Middle Road (D(evelopment) to RH5).

Trees have been clear cut or the zoning approval has permitted cash in lieu so that existing trees are gone and only new plantings offered. Council may be able to undelegate the Site Plan Review process from staff to Council (Section 2.4 Site Plan Application Guidelines). This was done for an application on New Street and then reversed after the issues had been resolved.

Current applications may be able to be revised under site plan control such as:

6515 McNiven Road (NEC), $500,000 Apr 22, 2003
607 Dynes Road (R3.1), $1,930,328 Jul 31, 2017 private school
5209 Stonehaven Drive (RO(rchard)3) $800,000 Nov 27, 2013

A more important property is Georgian Court rentals at 610 Surrey Lane. The owner wants to tear down all the existing housing and most of the trees. They will be replaced with higher density units.

The issue of flood control can be included here where arguments for a higher flood plain top of bank could be made when adjacent to a water course. For other lands, more green space is needed to absorb and delay water movement and is preferred over underground storage tanks that do not get maintained.

After that, they can ask for compliance with Sustainable Building and Development Guidelines at the Building Permit stage. Every detail can be examined and drawn out in compliance with City turnaround times. The City only has to respond within ten days to a permit application. They have as long as they want for detailed reviews.

The end result is that the profit motivated developer will not want to take the time for a reduced profit.

2. Applications After an Effective Private Tree Bylaw

At the rezoning application, Council can prohibit cash in lieu for trees to be removed and undelegate the Site Plan Review process from staff to Council (Section 2.4 Site Plan application Guidelines).

Council can then enforce current policy (Section 9 Site Plan Application Guidelines) that requires equivalent caliper tree replacement instead of accepting cash in lieu. This requires that trees be planted to make up for the lost canopy. In effect there will not be enough room to plant the replacement trees without reducing the housing density. The current zoning bylaw should also be enforced and not permit reduced setbacks and higher buildings.

What happens as a result? Developers will not pay as much for the land if they can’t make as much profit. This then sets the stage for affordable housing. Perfectly in accordance with current policy, a large lot with a small single family home can be sold at market value (not a speculative price) and have triplexes or fourplexes built that provide affordable units through sustainable building practices outlined in the Sustainable Building and Development Guidelines. Together with creative financing such as

practiced by Habitat for Humanity and Options for Homes, the dwellings can meet the affordability criteria of the Region for both seniors and Millennials. An added option is to have the vendor purchase one of the new units and stay in the same location but have less overhead and new close friends. And guess what? Most of the trees will be there for the kids to enjoy.

This involves smart building using sustainable methods at low capital cost and ongoing low carbon operating costs. All the policies are in effect in Burlington now even without the new OP. The conversion of the existing housing stock will be a big part of this movement. And you will still be able to walk, bike or take transit to shops, parks, offices and events.

In general, if 50 x 150 foot single family lots (0.07 ha) are purchased for $650,000 in an RM2 zone, they can accommodate a density of 50 uph or about 3.5 units. But site restrictions limit this due to setbacks and height. But if two or three lots are assembled, multiple family dwellings can be constructed that don't destroy all the trees. Four plexes are an ideal transition from single family to gentle intensification.

The average construction cost quoted by builders is about $200 per square foot house area. This is the real estate measurement of outside dimensions for floors above grade and does not include basements or garages. Parking has to be provided on site but can be on a driveway. By keeping the original lot in tact, costs are kept down by not having to provide extensive changes to parking and underground services.

If 3 fourplexes are built on three assembled lots and the construction cost is about $250 per sf, fourplexes with 1500 sf living area per unit plus another 500 sf common area at $200 per sf would result in a cost of $4.8 million. Add in the land cost of $1.9 million and the total is $6.7 million. The selling price of each unit would be $558,333 each. This is not low enough to meet the affordability criterion of $362,000 but is much better than an $820,000 townhouse with no trees.

The affordability, however, can be improved through innovative construction and creative financing. The goal is to reduce the monthly housing costs to 30% of household income. By reducing capital cost and monthly financing, the cash flow can allow purchasers or tenants to afford what would normally be out of their price range.

Looking at examples in other parts of Canada, solutions for small multi unit housing are available. One example is Habitat for Humanity. Building costs are reduced by using volunteer workers (including the occupant's sweat equity) and obtaining building materials at less cost due to donations and price reductions by product manufacturers and suppliers. In general, a 10% savings is possible. On top of this, sustainable building techniques such as LEED and Passivhaus can reduce capital cost a little but result in huge operating cost savings. Then add the financing arrangements where the mortgage is interest free and geared to income. Other financing options like Options for Homes with no payment for the down payment loan until the house is sold can also be used.

Applying these approaches to an example similar to above shows the following:

Item	Code	%	Passive	%
House Size, s.f.	1500		1500	
Price	$500,000		$450,000	
Down Payment	$50,000		$22,500	
Mortgage	$450,000		$360,000	
Financing/mo.	$2,367	82%	$1,894	83%
Method*	Conventional		Options for Homes	
Other Monthly				
utilities	$150	5%	$30	1%
taxes	$167	6%	$167	7%
insurance	$100	3%	$100	4%
repairs	$100	3%	$100	4%
Subtotal	$517	18%	$397	17%
Total	$2,884	100%	$2,291	100%
Household Income	$115,360		$91,640	
Housing/Income Ratio	30%		30%	
House/Income Ratio	4.33		4.91	
* Conventional 25 years at 4%, OFH No payment on 15% DP, 25 years at 4%				

The Passive/Options alternative is 20% less costly which means about 15% more households can purchase a home.

3. Development on Low Cost Land

When land is available from institutions, the local municipal or federal/provincial governments or other organizations interested in supporting affordable housing, there is much more opportunity to provide good affordable housing. Consider the possibility of using government land to build a project similar to Karen's Place in Ottawa.

Details:

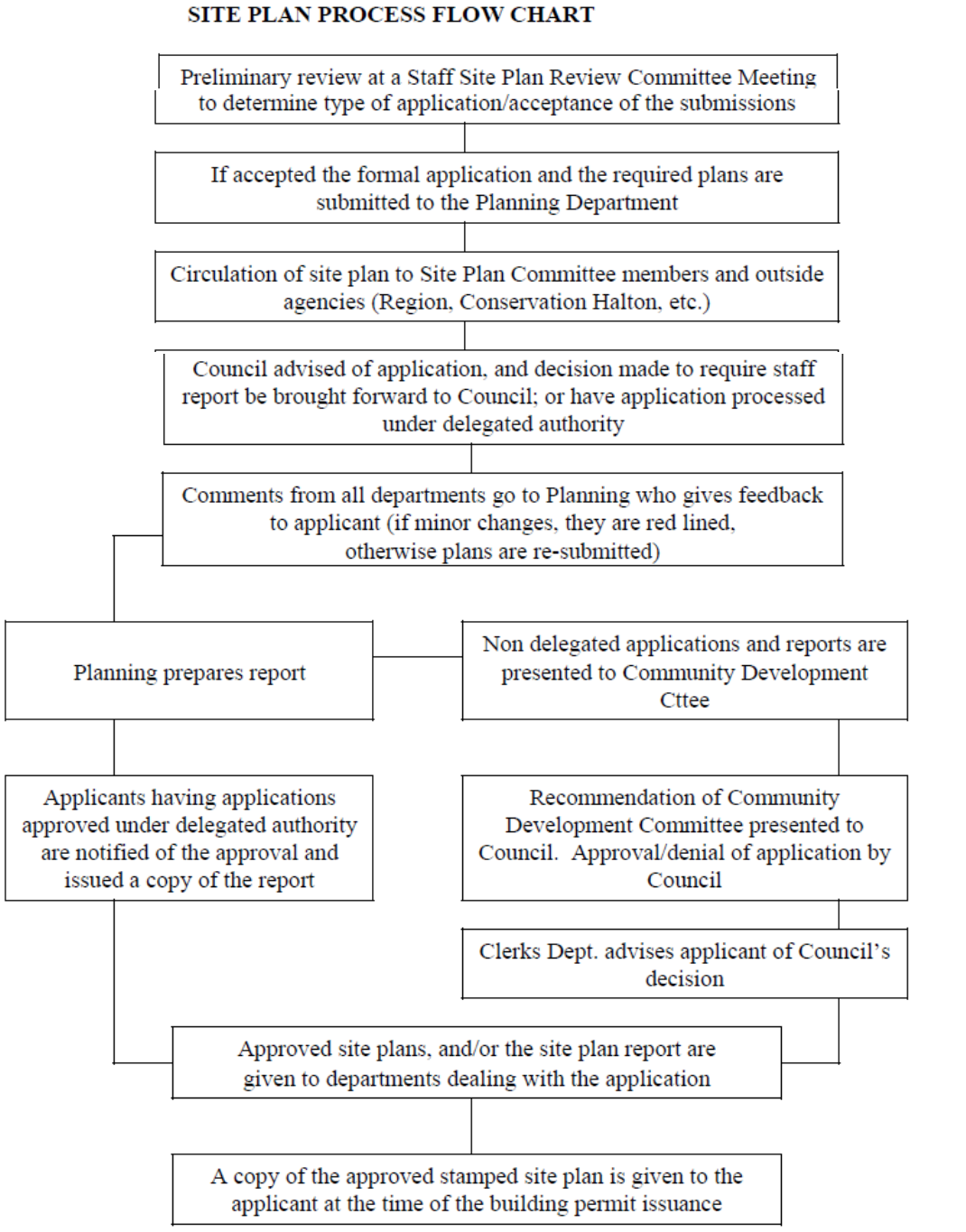
- 4 storey building with 42 bachelor apartments
- $489 monthly including utilities
- Costs $30 a year per unit to heat
- Cost $1.9 million to build, as estimated 6-9% more expensive than similar building to code, $45,240 per unit. Approx. $76/s.f.

Item	Market	%	Karen's	%
Apt. Size	Bach		Bach	
Rent	$900	98%	$489	99%
Utilities	$15	2%	incl.	
Insurance	$5	1%	$5	1%
Parking	-		-	
Total Monthly	$920	100%	$494	100%
Household Income	$36,800		$19,760	
Housing/Income Ratio	30%		30%	
Rent/Income Ratio	29%		30%	

The Karen's alternative is 46% less costly which means about 13% more residents can rent a bachelor apartment.

APPENDIX

Burlington Site Plan Review Process



NOTE: BUILDING PERMITS WILL ONLY BE ISSUED UPON COMPLIANCE WITH ALL CONDITIONS OF SITE PLAN APPROVAL AND THE SATISFACTION OF THE BUILDING DEPARTMENT PERMIT REVIEW REQUIREMENTS