



Second Units

Changes to the *Planning Act*

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City of Markham

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Second Units

1. Definition of second units, and their benefits
2. Bill 140:
 - *Strong Community Affordable Housing Act, 2011*
3. Bill 204:
 - *Promoting Affordable Housing Act, 2016*
4. Illustration of the financial benefit of second units for a typical homeowner in Markham



What are Second Units?

- Also known as accessory apartments, basement apartments, apartments in houses, second suites, etc.
- Self-contained units in a residential building containing bathroom and kitchen facilities for the exclusive use of the occupants
- Second suites can be developed within existing communities
- Can be incorporated in buildings in newly developed areas

Benefits of Second Units

- Can provide safe and affordable housing
- Generally cheaper than regular low-rise and high-rise apartments
- Second units are some of the most affordable private market rental units and provide housing for many low-to-moderate income renters

Benefits of Second Units

- Homeowners benefits:
 - Rent from second suite can fund renovation or mortgage payments
- Community benefits:
 - Additional residents can support local businesses and services



Bill 140:

Strong Community through Affordable Housing Act, 2011

- Bill 140 includes a broad range of actions to improve the affordable housing system
- One part of the broader strategy for affordable housing are changes to the *Planning Act*



Bill 140: *Planning Act* amendments

- Included affordable housing in the list of provincial interests
- Provided municipalities with enhanced provision for garden suites
- Strengthened provisions for second units



***Planning Act* amendment: Second Units**

- Requiring municipalities to establish enabling framework for second units through official plan and zoning by-law provisions allowing second units in:
 - detached,
 - semi, and
 - row house
- Restricting appeals to the OMB to five year updates of municipal official plans
- Providing authority for the Minister to make regulations for second units



Implications for Municipalities

- Municipalities required to:
 - Proactively plan to accommodate second units
 - Identify appropriate areas for second units within both existing and new development areas
- Onus on municipalities to:
 - Ensure their planning documents are kept up to date with requirements in legislation



Municipal Considerations

- Where should secondary units be permitted?
 - Both in existing residential communities and in newly developing areas



Municipal Considerations

- What if there are constraints within certain areas of the municipality?
 - It is recognized that there may be inherent constraints within portions of a municipality like:
 - Flood-prone areas
 - Inadequate servicing



Municipal Considerations

- Is the Minister going to issue standards for second units?
 - Only if a municipality is attempting to frustrate the second unit policy requirement by creating overly restrictive standards



Grandfathering of Second Units

- *Planning Act* amendments for second unit provisions do not:
 - Automatically legalize existing second units or permit new ones
 - Remove the need for owners of any new units to obtain building permits



Safety Standards for Two Unit Houses

- Second units must comply with all relevant laws including:
 - Building Code
 - Fire Code, and
 - Property standards by-law requirements

Policies and Regulations in GTA Municipalities for Second Units

- Diverse municipal context
- But there are similarities in second unit policies and zoning bylaw provisions
 - Minimum size regulations
 - Restrictions on modifications to dwelling exterior
 - Parking provisions
 - Landscaping standards

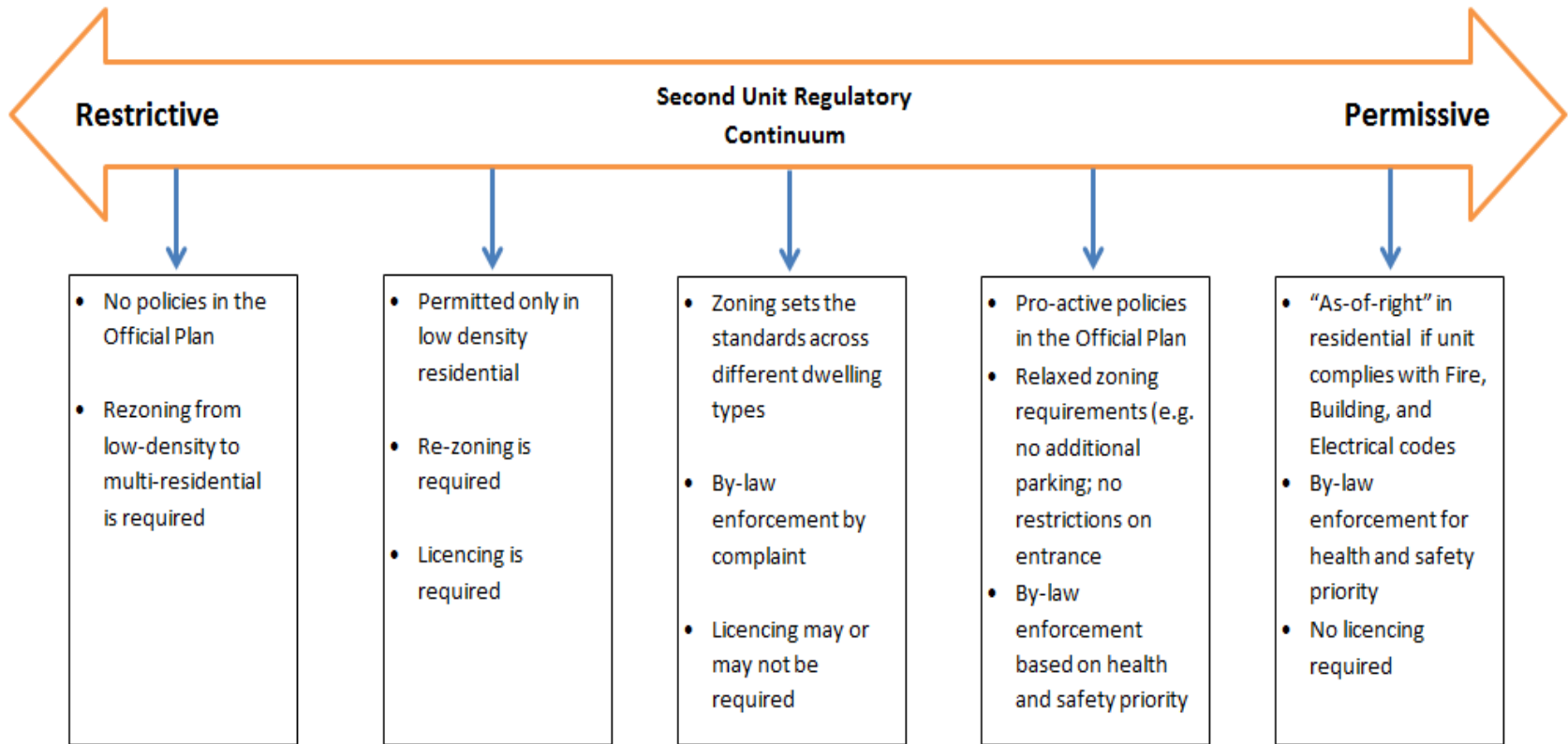


LTAHS 2016 Update:

Promoting Affordable Housing Act, 2016

- Mandate Development Charges exemption for second units in a new home
- Amend Building Code requirements to facilitate second units in new homes

Regulatory Continuum



Financing: Illustrated sample



370 Williamson Rd, Markham

\$799,000

list price (May 17/16)

Based on CMHC assumptions

Financing

Listing Price (May 17/16)	\$799,000
Mortgage Principal (20% down payment)	\$639,200
Monthly Carrying Costs	\$4,338
<i>Mortgage Payment</i> (4.32% annual interest and 25-year amortization)	\$3,488
<i>2015 Taxes</i> (from house listing)	\$451
<i>Maintenance/Utilities</i> (0.6% listing price)	\$400
Required Income (30% gross debt service ratio)	\$173,517 /yr.

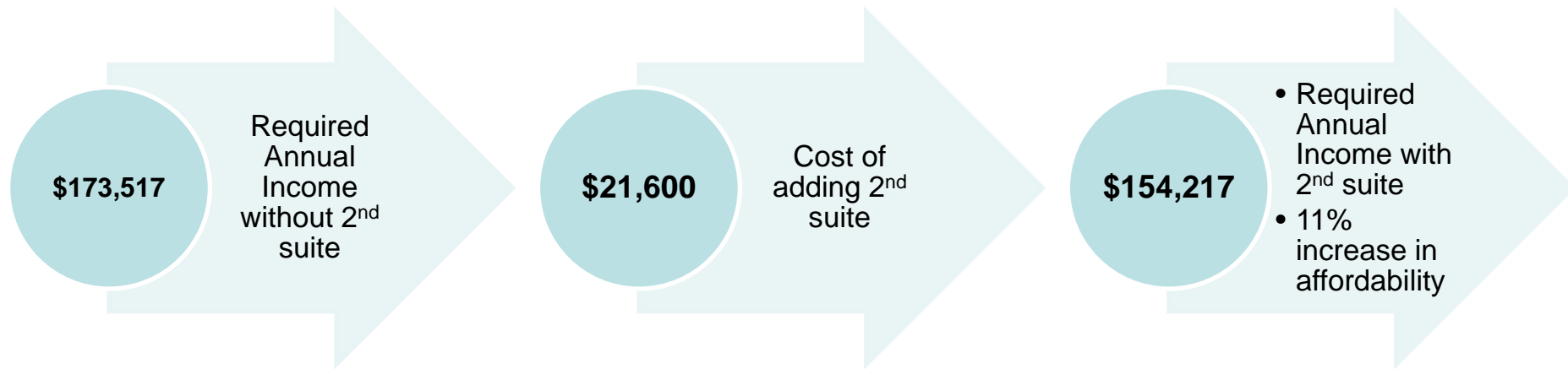
Financing

Conversion Cost <i>(2 years rent)</i> (Adding a second unit)	\$21,600
Additional Monthly Carrying Costs for 2 nd suite	\$418
<i>Mortgage Payment</i> <i>(4.32% annual interest and 25-year amortization)</i>	\$118
<i>Additional taxes</i> <i>(negligible increase in property value)</i>	\$0
<i>Maintenance/Utilities</i> <i>(75% of original expense)</i>	\$300
Total Monthly Carrying Costs	\$4,755
Monthly Rent from 2 nd suite	\$900 /mo.

Financing

Net Monthly Carrying Costs	\$3,855
Net Monthly Financial Benefit	\$484
Required Income with 2 nd suite (30% gross debt service ratio)	\$154,217 /yr.
Increase in House Affordability (before tax)	11%

Financing



For more information:

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