
**REPORT TITLE: **Prioritization of Housing Affordability Task Force
Recommendations and Bill 134, Affordable Homes and Good Jobs
Act, 2023****

FROM: Kealy Dedman, Commissioner of Public Works

RECOMMENDATION

- 1. That the comments and recommendations to the Province of Ontario as contained in Appendices I and II to the report of the Commissioner of Public Works, listed on the December 7, 2023 Regional Council agenda titled “Prioritization of Housing Affordability Task Force Recommendations and Bill 134, *Affordable Homes and Good Jobs Act, 2023*”, be endorsed; and**
- 2. That the subject report be forwarded to Peel Members of Provincial Parliament, the Association of Municipalities of Ontario, the Town of Caledon, the City of Brampton, and the City of Mississauga.**

REPORT HIGHLIGHTS

- In February 2022, the Provincially-appointed Housing Affordability Task Force (HATF) published its final report to help Ontario tackle its housing supply crisis and build at least 1.5 million homes by 2031. To date, 26 of the 74 HATF recommendations have been implemented to varying degrees.
 - On September 15, 2023, the Minister of Municipal Affairs and Housing sent a letter to select municipal heads of council, requesting that municipalities indicate support or opposition for each of the 74 HATF recommendations and to prioritize top five recommendations for consideration. The letter was not sent to the Regional Chair, however, Provincial staff advised that comments from all municipalities are welcome and would be considered.
 - On October 16, 2023, Peel staff submitted comments to the Minister that prioritized top five recommendations and offered overall comments on other recommendations. Peel staff are generally supportive of many of the HATF recommendations.
 - On September 28, 2023, the Province introduced Bill 134, the *Affordable Homes and Good Jobs Act, 2023* which proposes to update the definition of affordable residential units in the *Development Charge (DC) Act* that qualify for development-related charge discounts and exemptions.
 - The changes through Bill 134 propose to maintain income-based factors in addition to market-based factors in the definition.
 - On October 28, 2023, Peel staff submitted comments on Bill 134 on the Environmental Registry of Ontario.
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DISCUSSION

1. Background

Ontario's housing crisis is particularly acute in Peel, with virtually no pathways to affordable homeownership for low-income households and increasingly limited pathways for moderate-income households. Furthermore, there are limited rental housing options available and rental rates are increasingly unaffordable. There are an estimated 91,000 low- and moderate-income households living with core housing need in Peel, however, Peel Region can only provide housing supports to 1 in 5 of these households.

In February 2022, the Provincially-appointed Housing Affordability Task Force (HATF) published its final report to the Minister of Municipal Affairs and Housing (MMAH) to help Ontario build at least 1.5 million homes by 2031. On April 7, 2022, Regional Council endorsed a report titled "Region of Peel Comments on Ontario Housing Affordability Task Force Recommendations" that was sent to the Minister of Municipal Affairs and Housing. To date, 26 of the Task Force's 74 recommendations have been implemented to varying degrees.

On September 15, 2023, the Minister of Municipal Affairs and Housing sent a letter to select municipal heads of council requesting a position on all 74 HATF recommendations and prioritized top five recommendations for consideration. Provincial staff advised comments from all municipalities are welcome and would be considered. On October 16, 2023, Peel staff submitted a letter to the Minister (Appendix I) that identified the top five recommendations and offered overall comments on other recommendations. The letter indicated that the recommendations were provided by Peel staff, and should Council have additional or differing comments, they would be forwarded to the Ministry for consideration.

As part of Bill 23, the *More Homes Built Faster Act, 2022*, the Province proposed to define an affordable residential unit as 80% of average resale purchase price of ownership units and 80% of average market rent for rental units that would qualify for development-related charge discounts and exemptions. Affordable rental units, attainable residential units, and units secured through inclusionary zoning are proposed to be exempt from development charges (DCs), Community Benefits Charges (CBCs), and parkland dedication. These changes have not come into force but would have resulted in a home priced at \$937,569 being considered affordable and exempt from development charges despite that affordable home prices to a middle-income household would be nearer \$524,097.

On September 28, 2023, the Province introduced Bill 134, the *Affordable Homes and Good Jobs Act, 2023*, which proposes changes to the definition of affordable residential units in the *DC Act*. These changes propose to incorporate income-based factors in addition to market-based factors in the definition, which is a positive change that many municipalities recommended during consultation. The proposed definition considers affordable housing costs for those that are in the 60th percentile of gross annual income in the applicable local municipality and proposes to include thresholds in an Affordable Residential Units for the Purposes of the *Development Charges Act, 1997* Bulletin (Affordable Residential Units bulletin). Peel staff submitted comments (Appendix II) by the October 28, 2023, deadline but indicated that should Council have additional or differing comments, these would be forwarded to the Ministry for consideration.

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2. Prioritization of Housing Affordability Task Force Recommendations

Peel staff’s prioritization of HATF recommendations were established based on the various perspectives that Peel Region brings, such as a fiscally prudent manager of growth and infrastructure and housing service manager. Peel staff also consulted with local municipalities on their top five priorities to inform Peel’s priorities, which are aligned and support local municipal priorities.

Peel staff’s top five HATF recommendations and accompanying rationale focused on financial certainty, tools, and sustainable investments that provincial and federal governments can provide to municipalities to better address the housing affordability crisis. These priorities are closely aligned with the identified top five priorities of local municipalities both in and outside Peel region.

Peel Region Staff’s Top Five Housing Affordability Task Force Recommendations

Priority	HATF Recommendation	Peel Region Staff Rationale
1	Recommendation 43 (‘Use it or Lose it’): Enable municipalities, subject to adverse external economic events, to withdraw infrastructure allocations from any permitted projects where construction has not been initiated within three years of building permits being issued.	This recommendation furthers the Minister’s efforts to explore a “use it or lose it” policy to encourage the expeditious development of zoned lands or applications. This recommendation also supports master planning of infrastructure (e.g., water and wastewater, transportation, etc.) by creating more certainty and the ability to reallocate capacity to keep housing development moving.
2	Recommendation 27a (Prevent Abuse of Process): Remove right of appeal for projects with at least 30% affordable housing in which units are guaranteed affordable for 40 years.	This recommendation should only be implemented provided that planning merits, such as design, are respected. The change could help to move affordable housing projects forward in a more timely way and act as an incentive to encourage developers to include affordable housing to get projects approved more quickly for public benefit.
3	Recommendation 42 (Government Loan Guarantees): Provide provincial and federal loan guarantees for purpose-built rental, affordable rental and affordable ownership projects.	This recommendation could make capital available for much needed affordable housing options, help create a better range and mix of housing options, and secure sustainable funding to alleviate the housing crisis.
4	Recommendation 36 (Enhance HST home building rebate): Recommend that the federal government and provincial governments update HST rebate to reflect current home prices and begin indexing, and that the federal government match the provincial	This recommendation is in line with recent announcements by the federal and provincial governments to remove their portion of the HST for new purpose-built rental construction. An increased rebate on new ownership housing with indexing of thresholds to reflect current home prices would help to improve affordability for homeowners, particularly in areas such as

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Priority	HATF Recommendation	Peel Region Staff Rationale
4 (continued)	75% rebate and remove any claw back.	Peel that have much higher housing prices than other parts of Ontario and Canada and consequently are not currently eligible for the rebate.
5	Recommendation 9 (“As of Right” Zoning in Higher Order Transit and Strategic Growth Areas): Allow “as of right” zoning of six to 11 storeys with no minimum parking requirements on any streets that have direct access to public transit (including streets on bus and streetcar routes).	This recommendation could encourage higher density housing in strategic growth areas and can make smaller projects more viable, particularly for non-profit housing providers. This recommendation should be conditional on the inclusion of affordable housing to ensure public benefit and would be most effective in areas with higher order transit and strategic growth areas rather than being applied broadly. This recommendation could also be applicable to any affordable housing development pending further studies demonstrating availability of infrastructure and services.

3. Comments on Bill 134, Affordable Homes and Good Jobs Act, 2023

Updating Definition of Affordable Residential Unit in DC Act

The proposed definition of an affordable residential unit is based on the existing definition of affordable housing in the *Provincial Policy Statement (PPS), 2020*, which considers income-based and market-based factors.

The proposed definition considers:

- rent or annual accommodation costs that are equal to 30 per cent of the income that are affordable for households that, in the Minister of Municipal Affairs and Housing’s opinion, are in the 60th percentile of gross annual income (the highest earning moderate-income households) in a local municipality;
- rent or purchase price of an affordable residential unit would be set no greater than the lesser of the above income-based affordability thresholds and market-based thresholds of average market rent or 90 per cent of average purchase price; and,
- thresholds would be set out in an Affordable Residential Units bulletin.

Peel staff support and have advocated for including income-based factors in the definition of affordable housing. Maintaining a province-wide legislated definition of affordability that includes income-based factors is a key element that will further support municipal efforts to effectively manage growth and respond to the housing affordability crisis.

In order for homes to be affordable to all middle-income households, the Province should consider modifying the definition of an affordable residential unit to provide for deeper affordability and also further support additional housing options that are affordable to lower-income households with a complementary definition. Establishing affordability at the 60th percentile of gross annual incomes would result in housing in Peel that is unaffordable to the majority of middle-income households. For instance:

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- The lowest earning middle-income households (40th percentile) earned \$82,457 and could afford a maximum purchase price of \$304,763. In 2022, only 2% (51) of new units sold under this price.
- The highest earning middle-income households (60th percentile) earned \$141,512 and could afford a maximum purchase price of \$524,097. In 2022, about one-third (31% or 741) of new units sold under this price.
- The earnings difference and affordability gap within middle-income households is significant, with a \$59,055 income difference that translates into a \$219,334 difference in the maximum purchase price that they can afford.

As the Province moves forward in developing further regulations for Bill 23, *More Homes Built Faster Act, 2022* and other legislation, it is important to reconcile the proposed definition and exemptions for attainable residential units (which is to be further defined through regulation) and how they support the objective of creating more housing choices that are affordable and any impact this may have on DCs, parkland dedication and community benefit charges initiatives.

Peel staff continue to believe that instead of global DC rate exemptions, the Province should consider a provincial rebate program or other incentive programs. These programs could provide performance- and merit-based rebates and incentives directly to development projects that provide affordable residential units that meet established affordable housing thresholds and criteria. The Province could also provide funding to municipalities to expand existing municipal incentive programs. These efforts would address affordability issues with meaningful breadth and depth and support municipalities to adapt quickly to address evolving community needs.

Peel staff are supportive, in principle, of direction in Bill 134 to adopt an income-based approach for the definition of affordable residential unit, provided that the following recommendations are addressed. For additional detail and context, refer to Appendix II.

Recommendations

The Province should:

- Create a municipal compensation fund for municipalities to recover revenue shortfalls resulting from Bill 23 and ensure revenue neutrality.
- Revise the definition of income-based affordability to be set at the 40th income percentile to capture the entirety of middle-income households.
- Create an additional deeply affordable unit definition with rates fixed to the housing allowance rate established in Ontario Works and the Ontario Disability Support Program.
- Revise the definition of “non-profit housing development” in s. 4.2(1) of the *DC Act* to include development by service managers as defined under the *Housing Services Act* as well as any corporation owned, controlled, and operated by a service manager.
- Exempt non-profit (including those defined above), supportive, and housing units funded wholly or partially by government from development-related fees and contributions such as DCs, regardless of income level affordability achieved, as these units strengthen housing choice. This would also eliminate costs associated with unnecessary

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administrative processes that amount to a municipality paying itself to emplace needed growth infrastructure prior to development.

- Incorporate social assistance rate and 40th income percentile-based affordability definitions in the proposed Provincial Planning Statement to provide an additional valuable broad-based policy tool for municipalities to secure housing that is truly affordable to low- and moderate-income households.
- Strengthen safeguards to promote long-term affordability, where supported by market analysis, such as a minimum 35-year affordability duration for rental units and an in-perpetuity affordability duration for ownership units.
- Increase funding to further support municipal efforts to incentivize housing choices that are affordable to low- and moderate-income households.
- Give the ability for local municipalities with no or suppressed data on rental housing or municipalities under a certain population threshold to use data for their regional market area or provincial average.
- Explore incorporating housing type when calculating the average purchase price for a residential unit such as by providing affordability thresholds by housing type (e.g., detached, semi-detached, townhouse, apartment units, etc.).

4. Comments on the Province's Approach to Implementation

The proposed changes to the definition of an Affordable Residential Unit require clarification on some aspects of implementation. The Province should consult with municipalities and other stakeholders on data sources and detailed methodology for determining average market rent, affordable rent, affordable purchase price, and average purchase price prior to publishing the Affordable Residential Units bulletin. The following are Peel staff's recommendations as the Province considers implementation:

Recommendations

- Provide flexibility for municipalities to use market-based factors from a local municipality or regional market area.
- Ensure the Affordable Residential Units bulletin is updated on an annual basis and is informed by complete year-end data as much as possible.
- Provide a standardized approach to calculating housing costs.
- Provide further clarification on requirements related to the administration of the income test for the affordable residential units DC exemption and related coordination.

Solutions to the current housing crisis need to be implemented at all levels (municipal, provincial, federal, industry and community) and require an integrated approach. It is hoped that priority recommendations that have been identified by municipalities will be helpful as the Province looks towards next steps to more effectively address the housing affordability crisis.

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RISK CONSIDERATIONS

Many of the HATF recommendations represent significant changes to planning policy and Ontario's land use planning system. While not all risks can be quantified at this time, areas that pose the greatest risk have been identified and Peel staff will continue to monitor the Province's implementation. Implementation of Bill 23 provisions related to the removal of planning responsibilities will also limit Peel's ability to respond to HATF recommendations and necessitate time to transition progress and plans to local municipalities.

Providing exemptions to DCs for affordable residential units could create risks of gaps in infrastructure funding unless otherwise addressed by funding to address revenue shortfalls and ensure revenue neutrality.

BILL 112 RISKS AND IMPLICATIONS

The dissolution of Peel Region will pose a risk for local municipalities to adequately implement HATF recommendations and may affect timing of implementation due to transition of services (e.g., growth management, infrastructure planning, monitoring and measuring) to local municipalities or another delivery agent.

FINANCIAL IMPLICATIONS

Bill 23 imposes significant reductions to Peel's ability to collect development charges. Incorporating income-based factors into the *DC Act*, rather than a definition which is strictly based on market value, is expected to reduce DC exemptions. In December 2022, Peel staff reported to Council that the preliminary DC revenue shortfall in Peel resulting from the changes to the DC Act could amount to approximately \$2 billion over the next 10 years. Updating this analysis assumes that DC exemptions would decrease as a result of the change in definition, resulting in an estimated DC revenue shortfall of \$1.5 billion over the next 10 years.

Actual revenue shortfalls will vary depending on the final language of the Bill 23 definitions as well as the actual levels of development activity. While the estimated impact of the updated definition is seen as positive as compared to the current definition in force, municipalities still face an infrastructure deficit and require sustainable and long-term funding to adequately address the housing crisis. Additional funding would help to offset reduced DC revenues from exemptions that could incent more affordable housing choices while also helping to pay for the required infrastructure and services that are needed to create complete communities. The Province must make Peel Region and local municipalities financially "whole" as a result of impacts on municipal revenues and expenditures from Bill 23, Bill 134 and related or subsequent legislation. All levels of government have a role to play to work towards the Province's goal of building at least 1.5 million homes by 2031.

CONCLUSION

While more housing options and supply can contribute towards improving housing affordability outcomes in complete communities, the additional efforts noted in the recommendations throughout this report must also be made to ensure that new supply is truly affordable to low- and moderate-income families, particularly non-market housing and housing with deeper affordability that supports households across the housing continuum.

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Peel Region supports many of the Task Force's recommendations. There are concerns, however, that some of the recommendations, unless amended, will hinder the ability of municipalities to deliver on the Province's target of 1.5 million homes by 2031.

All orders of government must work together to increase the supply and permanence of affordable housing and strengthen the capacity of municipalities, industry, and community partners to respond to rapidly growing need. It is important to coordinate and consolidate efforts to adequately address infrastructure requirements and other planning considerations needed to sustain increased housing targets.

APPENDICES

Appendix I - Peel staff letter to the Minister of Municipal Affairs and Housing regarding Housing Affordability Task Force Top Five Recommendations

Appendix II - Peel staff response to the Province: Changes to the definition of an "Affordable Residential Unit" in the *Development Charges Act, 1997* for the purpose of municipal development-related charge discounts and exemptions (ERO Posting 019-7669)



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