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Re: ERO 019-7669 - Changes to the definition of an “Affordable Residential Unit” in the *Development Charges (DC) Act, 1997* for the purpose of municipal development-related charge discounts and exemptions

Thank you for the opportunity to review and comment on the Environmental Registry of Ontario posting related to *Bill 134, Affordable Homes and Good Jobs Act, 2023*. Please note that the following comments and recommendations are provided by Peel Region staff and may be considered by Regional Council for endorsement. If additional or differing comments are provided through a Council resolution, they will be forwarded to the Ministry for consideration.

General Comments

Peel staff appreciate the Province’s efforts to increase housing supply and improve affordability and are supportive of initiatives that incorporate income-based factors in the definition of affordable housing.

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 still result in housing in Peel that is unaffordable to the majority of middle-income households. For instance:

- 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

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\$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.

While incorporating income-based factors in the *DC Act* definition is a positive step and will have a more reduced impact on DC revenues than 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 incentivize more affordable housing choices while also helping to pay for the required infrastructure and services that are needed to create complete communities. All levels of government have a role to play in achieving housing targets that work towards the Province's goal of building at least 1.5 million homes by 2031.

As the Province moves forward in developing further regulations for Bill 23 and other legislation, it is important to reconcile the proposed definition and exemptions for attainable housing units 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.

In addition, it is critical that the proposed Provincial Planning Statement require that new housing supply consist of a range and mix of housing types and densities that are truly affordable to low and moderate-income households and include purpose-built rental and supportive housing.

Recommendations

- 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 whose rates are 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 by wholly or partially by government, regardless of

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income level affordability achieved, as these units strengthen housing choice. This would also eliminate costs associated with unnecessary administrative processes that amount to a municipality paying itself to emplace needed growth infrastructure prior to development.

- Create a municipal compensation fund for municipalities to recover revenue shortfalls resulting from Bill 23 and ensure revenue neutrality.
- 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.

Affordable Residential Unit Definition

Affordable Rental

The incorporation of income-based factors in the definition of an affordable rental residential unit is important, particularly as renter household incomes are lower than those of ownership households and therefore may not be able to as easily afford the average market rent in a certain area.

From a market perspective, however, it may be challenging for the proposed Affordable Residential Units bulletin to include an average market rent for some local municipalities that are smaller or rural in nature and/or where market rent price data is not available or suppressed due to limited rental housing stock.

Recommendation

- Give the ability for local municipalities with no data or suppressed data on rental housing or municipalities under a certain population threshold to use data for their regional market area or provincial average.

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Affordable Ownership

The incorporation of income-based factors in the definition of an affordable ownership residential unit will make inclusionary zoning initiatives in local municipalities more feasible as it will more closely align with local municipal housing objectives of creating housing that is truly affordable to moderate income households and increase public benefit.

The proposed definition appears to refer to average purchase price across all housing types. Purchase price for ownership housing can vary significantly by housing type (e.g., detached, semi-detached, townhouse, apartment etc.) in some local municipalities. For instance, in 2022, the average purchase price of a detached home in Peel was \$1,527,533 as compared to \$671,291 for apartments (e.g., condo units).

Recommendations

- Explore incorporating housing type when calculating the average purchase price for a residential unit such as providing affordability thresholds by housing type.

Implementation

The proposed changes to the definition of an Affordable Residential Unit require clarification on some aspects of implementation, particularly the incorporation of an Affordable Residential Units bulletin and the opinion of the Minister of Municipal Affairs and Housing as to what is affordable to a moderate-income household. These aspects include:

- When referencing local municipality, is the definition referring to a lower-tier municipality, regional market area, or both?
- What is the proposed timing of release and frequency of updating of the bulletin? This could result in significant differences in data being available and up-to-date and/or result in significant changes in purchase price thresholds.
- What is the definition of accommodation costs?
- What will be the requirements related to the administration of the income test for affordable residential units DC exemption? Will specific reporting be required?

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.



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- Provide a standardized approach to calculating housing costs.
- Provide further clarification on the requirements related to the administration of the income test for affordable residential units DC exemption and the related coordination expected between regional and local municipalities.

Conclusion

While more housing options and supply can contribute towards improving housing affordability outcomes in complete communities, efforts 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.

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.

Peel Region looks forward to continuing to work with the Province, local municipalities, and other stakeholders to meet Ontario's housing needs. I would be pleased to provide any clarifications or additional comments on these matters.

Sincerely,

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