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| To / Destinataire | Mayor and Members of Council | File/N° de fichier:   |
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| From / Expéditeur  | Don Herweyer, Interim General Manager, Planning, Real Estate and Economic Development Department |  |
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| Subject / Objet | Affordable Housing Definition for Development Charges Exemptions | Date:  |

The Ministry of Municipal Affairs and Housing (MMAH) is proposing to amend the *Development Charges Act, 1997* (DCA) to change the definition of an affordable residential unit for the purpose of discounting and exempting these units from municipal development-related charges (MDRCs). MDRCs are development charges, community benefits charges, and parkland dedication requirements. The proposed new definition would consider the housing costs 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 in the applicable local municipality.

Staff would like to inform Council of its analysis on Bill 134 and the comment provided to the Province on [ERO#: 019-7669](https://ero.ontario.ca/notice/019-7669) which was due and submitted on October 27, 2023.

We have prepared some analysis of the implications of this legislation in Appendix A.

Affordable residential units that meet the province’s new definition would be eligible for discounts and exemptions from MDRCs, to help lower the cost of building, purchasing, and renting affordable homes across the province. This change would help to enable more Ontarians to find an affordable home based on their household income.

The main comments to the province were:

1. Staff support the intent of the change of definition towards renter income households
2. Staff would like to raise that the new definition does not speak to unit size and may disincentivize units with additional bedrooms.
3. Staff would like to raise concerns about duration of affordability to ensure that any discounts given translate into affordable units in perpetuity.

In addition, staff have questions concerning reporting and monitoring which we hope the Province will address through future regulations.

Sincerely,

Don Herweyer, MCIP, RPP

Interim General Manager, Planning, Real Estate and Economic Development Department

**Appendix 1: City of Ottawa – Draft Response to the Change of Definition of Affordable for DC purposes**

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| **Proposed Changes** | **City of Ottawa Analysis**  | **City of Ottawa Comment to the Province** |
| For rental housing, where the rent is no greater than the lesser of,1. the income-based affordable rent for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing, and
2. the average market rent identified for the residential unit set out in the Affordable Residential Units bulletin.
 | The comparison of renter household (HH) 60th income percentile from the PPS 2022 Housing Table and the 2016 Census reported HH 2015 income data extrapolated to 2022 based on the Consumer Price Index (CPI) reveals a significant gap. PPS 2022 Housing Table for the 60th HH income percentile is 38% more than the extrapolated income.2020 income data from the 2021 Census is unique in that it includes short-term pandemic relief benefits such as the Canada Emergency Response Benefit (CERB). This has caused the 2022 incomes reported in the PPS Housing Table to be notably higher than actual, meaning that affordability of average market rent is being overstated. | Monitoring and Reporting* Will the bulletin be released annually or every 5-years?
* How quickly post-data release will the bulletin be revised?
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| In identifying the income-based affordable rent applicable to a residential unit, the Minister of Municipal Affairs and Housing shall,1. determine the income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for renter households in the applicable local municipality; and
2. identify the rent that, in the Minister’s opinion, is equal to 30 per cent of the income of the household referred to in clause (a).
 | The PPS Housing Table for 2022 notes affordable rent for the 60th percentile renter households to be $2,130, which is higher than the current Average Market Rent (AMR) of $1,479. Ottawa is currently targeting 80% of AMR for affordable housing units, which only addresses the housing needs of moderate-income households between the 40th and 60th percentiles in the PPS Housing Table for 2022.Non-profit housing developments already exempt from DCs. This AH definition only impacts the delivery of units by the private sector. | Key Comments* Staff support the intent of the change of definition towards renter income households
* If rental rates are not specific to unit size, the delivery of larger units will be disincentivized.
* Affordability term should be maximized, preferably in perpetuity

Additional Comments* While 60th percentile is the upper limit of moderate-income households, this doesn’t incentivize deeper levels of affordability.
* City would prefer to see a tiered approach to waivers based on level of affordability. E.g., 50% waived at AMR, 100% waived at 80% of AMR. This is the approach taken on an affordable housing CIP.
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| For ownership housing, where the price of the residential unit is no greater than the lesser of,1. the income-based affordable purchase price for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing, and
2. 90 per cent of the average purchase price identified for the residential unit set out in the Affordable Residential Units bulletin.
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| In identifying the income-based affordable purchase price applicable to a residential unit, the Minister of Municipal Affairs and Housing shall,1. determine the income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for households in the applicable local municipality; and
2. identify the purchase price that, in the Minister’s opinion, would result in annual accommodation costs equal to 30 per cent of the income of the household referred to in clause (a).
 | The PPS Housing Table for 2022 reveals that the affordable housing price for households in the 60th percentile is $463,700, and the 90% average resale price is $603,800. The significant gap between the two numbers suggests a combination of two definitions could incentivize different unit types. For a smaller unit, an income-based approach would be useful, but to incentivize the construction of family-size 3+bedroom units, 90% of the average sale price could be useful. | Key comment* Staff would like to raise concerns about duration of affordability to ensure that any discounts given translate into affordable units in perpetuity.

Additional Comment* How to ensure diversity of housing forms? Proposed formula may only incentivize affordability for condo builds (missing middle housing forms and larger units are the greatest need- need to incentive these units)
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Additional City comments:

* Housing Services staff would appreciate the opportunity to participate in future discussions regarding implementation and oversight required to ensure units remain affordable over the defined term.
* As these definitions will apply only to for-profit builders, there is no incentive to provide prices or rents lower than the defined thresholds. The defined thresholds are based on the 60th household income percentile or the market average being the “ceiling” for affordable housing. But as the threshold for eligibility for DC exemption, these prices and rents will be the “floor” for for-profit builders.
* A tiered exemption that begins at the 60th household income percentile or average market prices/rents will provide an incentive to incorporate a wider range of affordability for local markets rather than solely at the 60th household income percentile or average market.
* An effective incentive for affordable housing to consider is a reduction/exemption/credit in provincial capital gains taxation that tiers with the level of affordability rather than development charges.