

## **Official Plan Amendment on Updating the Definitions of Affordable Rental and Ownership Housing**

Date: October 15, 2021

To: Planning and Housing Committee

From: Chief Planner and Executive Director, City Planning Division and Executive Director, Housing Secretariat

Wards: All

### **SUMMARY**

---

This report recommends an Official Plan Amendment which proposes to revise the following housing definitions in Section 3.2.1 of the Official Plan:

- (1) affordable rental housing and affordable rents (affordable rental housing);
- (2) mid-range rents, including adding two new mid-range rent tiers; and
- (3) affordable ownership housing.

The recommended definitions are intended to better respond to the needs of low and moderate income households by establishing definitions of affordable housing that are aligned with incomes instead of solely on market rents/prices. The development of the definitions has been informed by extensive public and stakeholder consultation throughout 2020 and 2021 as well as through consultations on Inclusionary Zoning and the HousingTO 2020-2030 Action Plan ("HousingTO Action Plan") in 2019. During those consultations, participants felt that the City's current affordable housing definitions, which are based on average market rents/prices, had left many low-income residents unable to afford housing and that this problem would continue to worsen over time given average market rents have grown faster than incomes over the past decade.

This report, which proposes updates to the Official Plan's housing definitions, is the first step in moving towards an income-based approach for affordable housing, as directed by Council through adoption of the HousingTO Action Plan in December 2019. In addition to revising the Official Plan definitions, the HousingTO Action Plan provides direction for the City to adopt a new income-based approach in the administration of affordable rental housing programs. In accordance with this direction, a future report to Council will be brought forward by staff in 2022 recommending changes to City programs and support implementation of the revised definition of affordable housing.

The recommended revised definitions will also be used to update the City's Municipal Housing Facility By-law. The Municipal Housing Facility By-law is used to provide fee

and property tax exemption for affordable housing units. Updates to the by-law, including specific transition provisions for projects that have received or initiated funding approvals, will be brought forward after the Official Plan Amendment is in effect, and within a year following the 2022 staff report.

In addition to Council direction and stakeholder input, the proposed revised definitions have been informed by the Provincial Policy Statement (PPS). The PPS directs that affordable rental housing should be affordable to households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area. The PPS also directs that affordable ownership housing should be affordable to households with incomes in the lowest 60 percent of the income distribution for the regional market area.

Furthermore, the proposed revised definitions align with the Canada Mortgage and Housing Corporation (CMHC) affordability threshold which sets affordability at no more than 30% of a household's before-tax income. This definition is currently being applied to the federal Rapid Housing Initiative (RHI) projects which provide affordable housing for people experiencing or at risk of homelessness. RHI projects set an affordability requirement whereby tenants pay no more than 30% of their gross income on rent. This level of affordability is being supported by federal investments which fund 100% of capital costs of projects under the program.

The recommended changes to the affordable rental housing definition in this report would lead to a reduction in affordable rents for studio units, one-bedroom units, and three-bedroom units compared to affordable rents under the current definition. These reductions in rents are the result of tying affordable rent for each unit type to the lower of average market rent or indicator household incomes. For example, affordable one-bedroom rents are recommended to be set at the lower of average market rent for a one-bedroom unit or what a one-person renter household at the 60th percentile of income can afford. The previous market based definition meant that affordable rents were out of reach for low and moderate income households. For example, under the current definition one-person households earning at or below the 60th percentile of income cannot afford either an affordable studio or one-bedroom unit.

Affordable rents for two-bedroom units currently remain unchanged using the recommended definition. This is because what is affordable to incomes for 2-person households in 2021 exceeds the current average market rent for two-bedroom units. However, if average market rents continue to rise faster than incomes, rents for two-bedroom units would be set at what is affordable to the 60th percentile 2-person household, instead of average market rent for two-bedroom units.

The recommended mid-range rents definitions in this report have been established to maintain the existing rent thresholds used when implementing rental replacement requirements and in other unique circumstances. Two bands of mid-range rents are recommended. Mid-range rents (affordable) would secure rents higher than affordable rents and up to average market rent. Mid-range rents (moderate) would secure rents up to 1.5 times average market rent. Existing social housing programs that have historically used average market rents could use the mid-range rents (affordable) definition when securing future fee exemptions.

As the recommended affordable rental housing definition would lead to lower affordable rents, it would also lead to lower revenues in buildings that provide affordable rental units. Staff will report to Council in 2022 with recommended policy and program changes to help support implementation of the proposed new definition and ensure the delivery of new affordable housing across the city.

In terms of affordable homeownership, the recommended definition will lead to changes in affordable ownership prices for all unit types. These proposed changes will tie affordable ownership prices to low and moderate income households in the City of Toronto. The recommended changes also update the total monthly shelter cost used to establish affordable ownership prices. Notably the new definition includes condominium fees as part of the monthly shelter cost. This has the impact of reducing the mortgage payments that can be supported by a given income, leading to a reduction in affordable ownership prices.

The affordable housing definitions recommended in this report reflect a human rights-based approach to the development of housing legislation, policy and programs. The recommended definitions which tie affordable rents and affordable ownership prices to incomes rather than market rents/prices, will help ensure that affordable housing secured or developed by the City stays affordable to low and moderate income households. The proposed affordable rental housing definitions also ensure that household sizes used to determine rents for specific unit types align with CMHC's National Occupancy Standard.

Increased financial investments from all orders of government and adjustments to policy and programs will be required to support implementation of the new definition as well as to offset any potential impacts to the delivery of new affordable housing. In addition, the proposed changes will help align municipal, provincial and federal housing policies and programs, and support the shared objectives of all governments to increase the supply of affordable housing, promote housing stability for residents and end chronic homelessness.

## **RECOMMENDATIONS**

---

The Chief Planner and Executive Director, City Planning and Executive Director, Housing Secretariat recommend that:

1. City Council amend the Official Plan in accordance with the recommended Official Plan Amendment appended as Attachment 1.
2. City Council authorize the City Solicitor to make such stylistic and technical changes to the recommended Official Plan Amendment as may be required.
3. City Council direct the Executive Director, Housing Secretariat to report back to the Planning and Housing Committee in 2022 with a detailed financial impact analysis of the recommended definition on City programs such as Housing Now and Open Door, and potential program changes and/or other mitigation strategies to address the impacts.

4. City Council direct the Executive Director, Housing Secretariat to engage with the Government of Canada, including Canada Mortgage and Housing Corporation, and the Province of Ontario and report back in 2022 on how current or future funding and financing programs from each order of government could support implementation of the proposed new definition and also meet HousingTO 2020-2030 targets.

5. City Council direct the Executive Director, Housing Secretariat to report back to the Planning and Housing Committee, within 12 months of the Planning and Housing Committee's consideration of the report referenced in recommendation 3 above and after the recommended Official Plan Amendment comes into effect, with recommended changes to the Municipal Housing Facility By-law, including transition provisions.

## **FINANCIAL IMPACT**

---

There are no financial impacts to the City in 2021 as a result of approving the recommendations in this report, however financial impacts are anticipated for future years based on the recommended amendment to the affordable rental housing definition.

The recommended changes to the mid-range rents definition and affordable ownership housing definition have no financial implications.

### **Future Financial Impact to the City**

The recommended affordable rental housing definition will result in lower rents for certain unit types, particularly studio and one-bedroom units. This will decrease revenues for affordable housing providers, affecting the financial viability of projects that include affordable housing in their proposed developments.

### **The Housing Now Initiative and Open Door Program**

Staff have been consulting with the non-profit and private sectors on the impacts of the recommended definition. A detailed financial impact analysis of the recommended definition on City programs such as Housing Now and Open Door and potential program changes is underway, and will be reported to City Council in 2022. The analysis will outline the revenue gap for rental projects which will result from implementation of the new definition. The future report will also recommend options to address the gap, including requests for enhanced capital funding from other orders of government. The goal of any program changes would be to help mitigate the reduced debt service capacity resulting from the reduced revenues. The report will include the costs of such recommended options, as well as future implementation options.

The CFO and Treasurer has been provided with the financial impacts associated with this report.

## EQUITY IMPACT STATEMENT

---

The HousingTO 2020-2030 Action Plan envisions a city in which all residents have an equal opportunity to develop to their full potential. The HousingTO 2020-2030 Action Plan is centred on a human rights-based approach to housing. This approach recognizes that housing is essential to the inherent dignity and well-being of a person and to building inclusive, healthy, sustainable and liveable communities.

Amending the definition of affordable rental housing and the definition of affordable ownership housing to reflect household incomes will increase opportunities for lower-income, marginalized and vulnerable individuals and families, as well as those from equity-deserving groups to access safe, healthy and adequate homes.

Access to good quality, safe, affordable housing is a fundamental goal of the City's Housing TO 2020-2030 Action Plan and is an important determinant of physical and mental health and wellbeing. Good quality, affordable housing is also the cornerstone of vibrant, healthy neighbourhoods and supports the environmental and economic health of the city, region and country as a whole.

The adequate provision of a full range of housing, including affordable housing, is a Provincial interest. The City's Official Plan contains policies relating to the provision of a full range of housing and maintaining and replenishing the affordable and mid-range housing stock within the City.

As part of the consultation program for the new affordable housing definitions staff engaged with organizations representing and advocating for equity-deserving groups and marginalized groups and individuals in the City of Toronto.

## DECISION HISTORY

---

At its meeting of June 18, 2015 the Planning and Growth Management Committee considered a consultants final report, reviewing the City's Official Plan definition for affordable ownership housing, and a report from City Planning. The proposed Official Plan policy for the revised definition of affordable Ownership Housing presented in those reports was endorsed as the basis for a public consultation open house.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.PG5.2>

At its meeting of April 6, 2016, the Planning and Growth Management Committee deferred consideration of a new Official Plan definition of affordable ownership housing at its [April 6, 2016 meeting](#) in order to report back on this matter in conjunction with inclusionary zoning.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2016.PG11.1>

At its meeting of May 28, 2019, the Planning and Housing Committee directed that the public consultations on the proposed Official Plan inclusionary zoning policy directions include options to implement and administer an income-based alternative to AMR (average market rent), defining affordable rent as spending a maximum of 30 per cent of gross household income on housing costs, and report in the fourth quarter

of 2019. The Committee directed City Planning staff to consult on the proposed Official Plan inclusionary zoning policy directions and affordable ownership housing definition. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH6.2>

At its meeting of December 17, 2019, City Council adopted the HousingTO 2020-2030 Action Plan. One of the actions in the HousingTO Action Plan is to 'review options for a revised definition of affordable housing based on 30 per cent of household gross income, consistent with the federal definition of affordable housing'. The Action Plan also set a target of approving 40,000 affordable rental homes between 2020 and 2030. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

At its meeting of September 22, 2020, the Planning and Housing Committee endorsed proposed definitions of affordable Rental Housing, and mid-range Rents as the basis for public consultation. The Committee directed City Planning Staff in consultation with Housing Secretariat to conduct consultation and meet with Key Stakeholders to obtain comment and feedback on the proposed definition. The Committee also directed the Chief Planner and Executive Director, City Planning and to bring forward a Final Recommendation Report in 2021. <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.6>

## **COMMENTS**

---

### **Provincial Policy Framework**

#### **Planning Act**

The Planning Act governs land use planning in Ontario and establishes the means by which a municipality must implement land use planning decisions. In particular, Section 2 (j) of the Planning Act requires that municipalities, when carrying out their responsibility under this Act, have regard for matters of provincial interest including the adequate provision of a full range of housing, including affordable housing.

#### **Provincial Policy Statement, 2020**

The Provincial Policy Statement (2020) (the "PPS") provides province-wide policy direction on land use planning and development matters to promote strong communities, a strong economy, and a clean and healthy environment. It includes policies on housing matters that affect communities, such as:

- accommodating an appropriate affordable and market-based range and mix of residential types to meet long-term needs; and
- providing for an appropriate range and mix of housing options and densities to meet projected market-based and affordable housing needs of current and future residents of the regional market area by establishing and implementing minimum targets for the provision of housing which is affordable to low and moderate income households and which aligns with housing and homelessness plans.

The PPS defines affordable rental housing as the least expensive of:

- a unit for which the rent does not exceed 30 percent of gross annual household income for low- and moderate- income households; or
- a unit for which the rent is at or below the AMR of a unit in the regional market area (i.e. the upper-tier or single-tier municipality).

The PPS defines low and moderate income renter households as households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.

The PPS defines affordable ownership housing as the least expensive of:

- housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low and moderate income households; or
- housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area.

The PPS defines low and moderate income ownership households as households with incomes in the lowest 60 percent of the income distribution for the regional market area.

The provincial policy-led planning system recognizes and addresses the complex interrelationships among environmental, economic and social factors in land use planning. The PPS supports a comprehensive, integrated and long-term approach to planning, and recognizes linkages among policy areas. The PPS is more than a set of individual policies. It is to be read in its entirety and the relevant policies are to be applied to each situation.

The PPS recognizes and acknowledges the Official Plan as an important document for implementing the policies within the PPS. Policy 4.6 of the PPS states that, "The official plan is the most important vehicle for implementation of this Provincial Policy Statement. Comprehensive, integrated and long-term planning is best achieved through official plans."

### **The Growth Plan for the Greater Golden Horseshoe (2020)**

The Growth Plan (2020) (the "Growth Plan") builds upon the policy foundation provided by the PPS (2020) and provides more specific land use planning policies to address issues facing the Greater Golden Horseshoe ("GGH") region. The Growth Plan (2020) provides a strategic framework for managing growth and environmental protection in the GGH region, of which the City forms an integral part, including supporting the achievement of complete communities, with access to a diverse range of housing options, and supporting a range and mix of housing options, to serve all sizes, incomes and ages of households. Policy 2.2.4.9.a) of the Growth Plan directs that development within all major transit station areas (MTSAs) will be supported, where appropriate, by planning for a diverse mix of uses, including second units and affordable housing, to support existing and planned transit service levels.

## Toronto Official Plan Existing Policies

Section 3.2.1 of the Official Plan contains definitions for affordable rental housing, mid-range rents and affordable ownership housing as follows.

**"Affordable rental housing and affordable rents** means housing where the total monthly shelter cost (gross monthly rent including utilities – heat, hydro and hot water – but excluding parking and cable television charges) is at or below one times the average City of Toronto rent, by unit type (number of bedrooms), as reported annually by the Canada Mortgage and Housing Corporation. "

**"Mid-range rents** are the total monthly shelter costs which exceed affordable rents but fall below one and one-half times the average City of Toronto rent, by unit type, as reported annually by Canada Mortgage and Housing Corporation."

**"Affordable ownership housing** is housing which is priced at or below an amount where the total monthly shelter cost (mortgage principal and interest – based on a 25-year amortization, 10 per cent down payment and the chartered bank administered mortgage rate for a conventional 5-year mortgage as reported by the Bank of Canada at the time of application – plus property taxes calculated on a monthly basis) equals the average City of Toronto rent, by unit type, as reported annually by the Canada Mortgage and Housing Corporation. Affordable ownership price includes GST and any other mandatory costs associated with purchasing the unit."

## Canada Mortgage and Housing Corporation Definitions

The Canada Mortgage and Housing Corporation (CMHC) considers housing affordable when it costs less than 30% of a household's before-tax income.

The National Occupancy Standard (NOS) developed by CMHC is used to determine the appropriate number of persons per bedroom. The NOS determines the number of bedrooms a household requires based specific household characteristics, including:

- A maximum of two persons per bedroom;
- Household members aged 18 or over have a separate bedroom - except those living as part of a married or common-law couple;
- Household members under 18 years old of the same sex share a bedroom - except lone-parents and those living as part of a married or common-law couple.
- Household members under 5 years old of the opposite sex share a bedroom if doing so would reduce the number of required bedrooms.

## Municipal Housing Facility By-law

Under Section 252 of the City of Toronto Act, 2006 and the City's Municipal Housing Facility By-law, City Council has the authority to enter into agreements for the provision of municipal housing facilities, and to provide property tax exemptions to housing designated as a municipal housing facility.



Providing a property tax exemption for affordable housing is a consistent policy tool used by the City to enable and incentivize the development of affordable housing units, as leveraged in the Open Door program. Housing providers that enter into a Contribution Agreement (municipal housing project facility agreement) with the City under this by-law must maintain affordability requirements for the term of the Contribution Agreement and follow rules for tenant selection approved by the City.

In 2019, the City updated the Municipal Housing Facility by-law in order to allow for the inclusion of existing rental units that were developed under former federal social housing programs and which are no longer subject to an operating agreement. The by-law also provides the type of assistance that affordable rental housing projects and assisted home ownership units may be eligible for, including being exempt from development charges, as well as municipal and education taxes.

Staff will bring a report forward in 2022 outlining how the City can continue to support the delivery of new affordable housing as part of assistance secured under of the Municipal Housing Facility by-law. However, the report recommending updates to the by-law will be brought to the Planning and Housing Committee after the Official Plan Amendment is in effect.

## **HousingTO 2020-2030 Action Plan**

In December 2019, City Council adopted the HousingTO 2020-2030 Action Plan which provides a blueprint for action across the full housing spectrum in Toronto. The plan established a target of approving 40,000 new affordable rental homes between 2020 and 2030, to be funded in partnership with other governments. Included in these 40,000 new affordable rental housing units are:

- 18,000 new supportive homes approvals for vulnerable residents including who are homeless or at risk of being homeless; A minimum of 10,000 of the new affordable rental and supportive homes dedicated to women and girls including female-led households;
- A dedicated allocation of 5,200 new affordable rental and supportive homes for Indigenous peoples, to be delivered by Indigenous housing providers and supported by the City and other orders of government
- A target of 1,000 modular supportive housing opportunities for people experiencing or at risk of homelessness

While the plan lays out specific targets for approving new affordable rental housing, it also recommends reviewing options for establishing a definition of affordable housing based on 30% of gross household income. The plan also commits to amending the definition of affordable ownership to better reflect households' ability to pay for housing in Toronto's challenging housing market.

The implementation of income-based definitions of affordable housing will enable the City to support projects that provide homes affordable to a range of incomes, with a focus on low and moderate income households. This approach also ensures housing remains affordable over time relative to households' abilities to pay, rather than to changes in rents and prices in Toronto's housing market.

## Other Jurisdictions

Many jurisdictions have adopted an affordable rent definition related to incomes. This helps prevent affordable rents from growing faster than incomes.

As an example, New York City's mandatory inclusionary zoning policy is based on affordability metrics related to area median income (AMI). Options under the program include:

- 20% of the total residential floor area must be for housing units for residents with incomes averaging 40% AMI (\$38,440 per year for a family of three)
- 25% of residential floor area must be for affordable housing units for residents with incomes averaging 60% AMI (\$57,600 per year for a family of three), or
- 30% of residential floor area must be for affordable housing units for residents with incomes averaging 80% AMI (\$76,880 per year for a family of three)

Many other American affordable housing definitions and programs are also based on AMI (e.g. Washington D.C., Seattle, and Chicago).

The City of Vancouver has established a Moderate Income Rental Housing Pilot Program. This program secures new private rental housing for moderate income households. Vancouver defines moderate income households as those earning between \$30,000 and \$80,000. Through this program Vancouver looks to secure monthly rents at the following levels:

- Studio: \$950 (affordable to an income of \$38,000)
- One-bedroom: \$1,200 (affordable to an income of \$48,000)
- Two-bedroom: \$1,600 (affordable to an income of \$64,000)
- Three-bedroom: \$2,000 (affordable to an income of \$80,000)

A jurisdictional scan was completed as part of the "Proposed Official Plan Amendment to the City's Affordable and Mid-Range Rent Definitions" report to the September 22, 2020 meeting of the Planning and Housing Committee and details can be found at <http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2020.PH16.6>.

## Human Rights-Based Approach

In recent years all levels of government have taken steps to adopt a human rights based approach to the development of housing legislation, policy and programs.

In June 2019, the federal government enacted the National Housing Strategy Act which declared that it is the policy of the Government of Canada to recognize that the right to adequate housing is a fundamental human right affirmed in international law; to recognize that housing is essential to the inherent dignity and well-being of the person and to building sustainable and inclusive communities; and to support improved housing outcomes for the people of Canada.

Ontario's Provincial Policy Statement, 2020 states that Provincial Policy Statement shall be implemented in a manner that is consistent with the Ontario Human Rights Code and

the Canadian Charter of Rights and Freedoms. The Ontario Human Rights Commission published *In the Zone: Housing, Human Rights and Municipal Planning* to guide municipalities on their human rights responsibilities in zoning for housing.

The City's HousingTO 2020-2030 Action Plan includes an updated Toronto Housing Charter which recognizes the City's commitment to further the progressive realization of the right to adequate housing, recognized in the International Covenant on Economic, Social and Cultural Rights. The Toronto Housing Charter is also rooted in the principle that all residents have a right to a safe, secure, affordable home in which they can live in peace and dignity and realize their full potential. The new affordable rental housing definition recommended in this report is a critical step in advancing the progressive realization of the right to housing as envisioned by the Toronto Housing Charter.

The recommended definitions which tie affordable rents and affordable ownership prices to incomes will help ensure that affordable housing secured by the City is more affordable to low and moderate income households and that this remains the case over the long-term. The definitions have also been established such that the smallest household size in need of a type of housing, based on the National Occupancy Standard, is used to establish the income limits for affordable rental units. For example, three-bedroom units are priced based on the incomes of three-person households such that a single-parent with two children each needing their own bedroom informs the income distribution used to establish affordable rents.

Staff are also currently consulting on and developing a centralized access system to streamline the process of advertising and filling future affordable units in a fair and transparent way. This access system will help ensure that affordable units are provided to households in need of affordable housing.

## **Toronto's Housing Context**

According to the 2016 Census approximately 47% of Toronto households live in rental housing. Additionally, just under half of renter households are paying more than 30% of their income on housing costs, meaning that their housing is not affordable to them. Further, 23% of renter households spend more than 50% of their income on housing costs. Affordability challenges are not isolated to renters—27% of households in ownership housing also spend more than 30% of their income on housing.

In addition to the affordability challenges renters face, 19% of renter households live in unsuitable housing and have too few bedrooms for the size and composition of their household.

Since the Census was completed in 2016 housing affordability challenges have continued to grow, with both rents and sale prices of homes in Toronto climbing faster than inflation.

Equitable access and housing choice, including access to affordable housing, is fundamental to strengthening Toronto's economy, its environmental efforts, and the health and social well-being of its residents and communities. The City's Housing Need and Demand analysis, completed as part of the work to support inclusionary zoning,

found that an income of over \$54,000 is needed for a studio unit to be affordable at asking market rents; for a three-bedroom unit an income of over \$100,000 was required. These incomes exceed those of many key workers, such as grocery store staff, dental assistants, early childhood educators, and bank clerks.

With market rental and ownership housing growing increasingly unaffordable, delivering more housing across the entire housing spectrum, with a particular focus on affordable rental housing, is critical to supporting Toronto's diverse economy and welcoming newcomers. Further, delivering housing across the spectrum will help key workers, lower-income, marginalized and vulnerable individuals and families access safe, healthy and adequate homes, and ultimately thrive and develop to their full potential.

## **What is Affordable Housing?**

Generally, housing affordability is understood as a household having the ability to pay for housing at an established or asking rent or price in the housing market. Housing is generally considered to be affordable when a household spends less than 30% of its gross income on housing-related costs. Both Canada Mortgage and Housing Corporation and Provincial policy documents apply this 30% metric to determine if a household is living in affordable housing.

Many forms of housing can be considered affordable depending on a household's income, including transitional housing, social housing, and private housing at or below market rates.

In the context of municipal housing policies and programs, affordable housing is considered to be below market housing that is typically owned and operated by private or non-profit housing providers, and does not include rent-gear-to-income housing or public and social housing.

Social housing is housing that is funded under legacy government programs that provided comprehensive funding or financing arrangements, typically including on-going operating subsidies. This comprehensive funding model includes rent-gear-to-income subsidies that enable social housing to provide rents based on an individual household's ability to pay, rather than a predetermined affordability level. Social housing generally serves lower income households than affordable rental housing or affordable ownership housing.

Affordable rental housing and affordable ownership housing are typically secured at predetermined rents or prices that are meant to be more affordable than market housing. Because affordable housing has a set rent or price, and is not funded based on an individual household's specific income, it will be affordable (i.e. cost less than 30% of a household's income) to some households, and unaffordable to others (i.e. cost more than 30% of a household's income).

Ultimately, affordable housing is an important part of the housing spectrum that helps fill a gap between market housing and social housing. It helps low and moderate income households, who may not qualify for, or cannot access, social housing, find more

suitable and/or affordable options compared to what would be accessible in the private market.

**Growth in Average Market Rents and Household Incomes**

The City's current definitions of affordable rental housing, affordable ownership housing, and mid-range rents are all based on average market rent (AMR), as reported annually by the CMHC.

AMR reflects the average rent by unit type for all private purpose-built rental units in Toronto (irrespective of whether the units are occupied or vacant). AMRs include rental units that are 50+ years old as well as units that have recently been completed and newly rented. Since the majority of rental units in Toronto are occupied, AMRs are largely representative of rents paid by sitting tenants, most of whom are protected by provincial guideline rent increases.

AMR is different than asking rent. Asking rent is the advertised monthly rent that a tenant can expect to pay when signing a new lease for a vacant unit. Because there is no limit to what a landlord may charge (or 'ask') for rent when a unit becomes vacant, asking rent is generally higher than AMR.

Over the past twenty years, both asking rents and AMRs in Toronto have risen at a faster rate than incomes. This has meant that market rents, affordable rents and affordable ownership prices, as defined in the Official Plan, have become out of reach for many low and moderate income residents. By share of the overall population, fewer Toronto residents can afford the current AMR based affordable rents and affordable ownership prices than could in previous years, and based on current trends this problem will continue to grow. For example, in 2010 approximately 54% of renter households could afford a one-bedroom renting at AMR, in 2021 this has decreased to an estimated 45% of renter households.

Throughout the HousingTO 2020-2030 consultations, there was consistent public and stakeholder concern about the City's current definition of affordable rental housing. Participants felt that, as market rents are rising at a faster rate than residents' incomes, the definitions of affordable housing based on AMR had left too many low-income residents unable to afford new affordable housing while also being unable to qualify for social housing and that this problem would continue to worsen over time.

Between 2000 and 2021 renter household incomes, and average market rents in Toronto have grown at the following rates:

**Table 1: Growth of renter household incomes and average market rents**

Measure	2000	2021	Annual growth	Total growth
January Consumer Price Index (Toronto)	93.1	141.0	2.00%	51.5%

Measure	2000	2021	Annual growth	Total growth
50th percentile renter household income (all household sizes)*	\$35,271	\$50,793	1.75%	44.0%
60th percentile renter household income (all household sizes)*	\$42,787	\$62,692	1.84%	46.5%
Studio Average Market Rent	\$626	\$1,211	3.19%	93.5%
One-bedroom Average Market Rent	\$772	\$1,431	2.98%	85.4%
Two-bedroom Average Market Rent	\$924	\$1,661	2.83%	79.8%
Three-bedroom Average Market Rent	\$1,099	\$1,887	2.61%	71.7%

\*2021 renter household incomes are estimated based on 2016 census results for the City of Toronto and adjusted using the Consumer Price Index for the Toronto Census Metropolitan Area.

If market based definitions are maintained, affordable rents and affordable prices will likely continue to become more unaffordable for low and moderate income households. Reviewing the affordability provided by the current market based affordable rent definition also yields the following insights:

- Over 65% of single-person renter households cannot afford either an affordable studio or one-bedroom unit.
- Over 40% of two-person renter households cannot afford an affordable studio unit. Almost 50% cannot afford an affordable one-bedroom unit.
- Over 40% of three-person renter households cannot afford an affordable one-bedroom unit. Over 50% of three-person renter households cannot afford a two-bedroom affordable unit.

Income-based definitions would be more reflective of current incomes and help to better bridge the gap between affordable rents and prices and the incomes of low and moderate income households that are in need of affordable housing. Income based definitions will also help ensure that affordable housing remains affordable over the long-term for low and moderate income households.

**Consultation Summary**

Stakeholders and the public helped to shape the recommended affordable housing definitions through the following phases of consultation:

- Fall 2020/Winter 2021: Public and stakeholder consultation as part of the Phase 2 consultation program on the draft IZ policies
- Spring/Summer 2021: stakeholder engagement on the final recommended affordable housing definitions

The final recommended affordable housing definitions reflect stakeholder and community feedback received through this consultation.

The City will also be hosting a virtual Open House on October 21, 2021 to address any questions on the final recommended Official Plan Amendment.

## **2020 Public and Stakeholder Consultation Summary**

Public feedback included strong support for incorporating an income-based approach to the definition of affordable rental housing. However the public also raised that the proposed definition of affordable rental housing for consultation, which included both maximum and minimum rents, was difficult to understand and that the definition should focus on the maximum affordable rent permitted.

Housing advocates appreciated that the proposed affordable rental housing definition reflected a rights-based approach.

Some expressed concerns with the assumptions used in the definition that tie unit types to different renter household sizes and suggested that the City look at the actual composition of different sized units (e.g. the proportion of 1- and 2-person households that occupy 1-bedroom units) and take a blended approach of 1- and 2-person household incomes. Others suggested that the definition should look at only census family data (rather than all renter households, which include roommates and non-census families) in order to better address the needs of single parents or households with children.

Some thought that the assumptions in the definition was misaligned with how the units will actually be occupied. For example, some suggested that one-bedroom units could be occupied by two-person renter households, who may more easily be able to afford rents for 1-bedroom units, while single-parent households may not be able to afford the rent for a three-bedroom unit.

A few suggested lower income percentiles should be used for studio and one-bedroom units, given the housing challenges of single-person households, especially those earning minimum wage.

Many were concerned that the definitions do not include those with the deepest affordability needs who require social assistance. To address this, some suggested breaking down the affordable definition into categories—affordable, deeply affordable, and very deeply affordable—which could be used to apply different eligibility requirements to different housing policies and programs.

Developers were generally interested in understanding how the affordable rental housing definition would interact with other policies, housing programs and provincial regulations.

## 2021 Stakeholder Consultation

Throughout the spring and summer 2021 the City undertook further stakeholder consultation around the recommended affordable housing definitions. This included information presented at stakeholder sessions for the planned inclusionary zoning policy, as well as sessions specific to the affordable housing definitions. As part of these consultation sessions, the City shared the findings from previous consultation sessions, including feedback that minimum affordable rents should not be included in the definition.

Housing advocates expressed continued support for the income based definitions, and appreciated changes to the recommended definition (removing the minimum affordable rents) noting that the updated definition was easier to understand, and that the changes to the definition would not restrict the City from securing more deeply affordable units. They also noted the need for alignment of definitions at the municipal, provincial and federal levels, as well as the need for increased investments in housing.

Development industry stakeholders maintained that the recommended affordable rent limits were misaligned with how the units will actually be occupied and that affordable rents should instead be based on the expected composition of households occupying different types of affordable rental units.

Affordable housing providers expressed concerns about the recommended affordable ownership definition presented at these consultation sessions. Some of these stakeholders suggested that affordable ownership prices should be calibrated such that there were closer in alignment to the market value of affordable rental units. Affordable housing providers also noted that the City's definition of total shelter cost, which at the time included only property taxes based on the purchase price, and monthly mortgage payments underestimated the actual total shelter costs for households living in affordable ownership housing. Specifically they suggested that condo fees should be included in shelter costs. Providers also raised that property taxes would be based on the assessed value, which is reflective of similar quality units in the market and that as part of any program implementation, consideration should be given to ensuring property taxes are based on the purchase price.

A consultation with affordable rental housing providers and related stakeholders held on July 27, 2021 highlighted that housing providers will be unable to achieve the same number of affordable rental housing units under the recommended definition without obtaining increased equity or funding support to address the reduction in rents for studio and one-bedroom units. Stakeholders had concerns that the recommended changes to the definition, combined with the increasing cost to deliver affordable housing over time due to rising construction costs and a growing gap between affordable and market rents, may result in a lower supply of affordable housing.

Some stakeholders undertook an impact analysis of their current affordable housing projects using the recommended definition and found that funding would need to be significantly increased, or even doubled in some cases where mainly studio and one-bedroom units were provided, in order for the projects to continue to be financially viable. As it is already a challenge to achieve viability for affordable housing projects, any changes in revenue can affect a project's ability to move forward. Private



developers also noted that lower revenues could result in costs being passed on to the market units, increasing the unaffordability of those units.

Stakeholders overwhelmingly agreed that if the recommended definition is implemented, the City will need to provide increased capital subsidies and/or incentives through its affordable housing programs in order to achieve the same number of affordable units as under the existing definition. There were also suggestions for the City to consider supporting a proportion of rents higher than 100% AMR in a project providing a significant amount of affordable housing, in order to achieve more deeply affordable rents in the rest of the project.

### **Recommended Affordable Rental Housing Definition**

The draft affordable rental housing definition that was consulted on established a minimum affordable rent level. Following consultation with the public and stakeholders, the minimum affordable rent level has been removed in the recommended definition.

Minimum affordable rents were originally proposed in order to better define the range of rents that the City would look to achieve when securing new affordable rental housing. Removing minimum rents was meant to simplify the definition. More deeply affordable housing will continue to be supported and prioritized, and can generally be achieved through the use of capital funding or rent supplements.

The recommended affordable rental housing definition would set affordable rents on an annual basis based on the lower of AMR by bedroom type and what is affordable to households at the 50th or 60th percentile of income, depending on bedroom type.

Based on the recommended approach, Table 2 below shows the current and recommended affordable rent limits, and the associated incomes served. The associated incomes served refers to the income required such that households would not pay more than 30% of their before-tax income on housing.

**Table 2: Recommended affordable rent limits and incomes served (2021)**

<b>Unit Type</b>	<b>Current affordable rent limit and income served*</b>	<b>Recommended affordable rent limit and income served*</b>
Studio	\$1,211 \$48,440	\$812 \$32,486
One-Bedroom	\$1,431 \$57,240	\$1,090 \$43,600
Two-Bedroom	\$1,661 \$66,440	\$1,661 \$66,440
Three-Bedroom	\$1,887 \$75,480	\$1,858 \$74,301

\*Income served refers to the household income required such that affordable rent would cost no more than 30% of a household's income.

## Recommended Mid-Range Rental Housing Bands

Based on the recommended affordable rental housing definition, a gap would exist between the maximum rent in the recommended definition and average market rents. In order to ensure that the Official Plan rental replacement policies continue to replace rental units within the same rent band, it is recommended to introduce two mid-range rents tiers. A similar approach was taken in developing the City's Council-approved dwelling room replacement policies.

The recommended mid-range rental housing tiers would set the first rent band as more than affordable rents but less than AMR. The second rent band would be set as up to 150% or 1.5 times AMR. Existing social housing programs that have historically used average market rents could use recommended mid-range rents (affordable) tier when securing future fee exemptions.

Based on the recommended approach, the following mid-range rents tiers would apply for 2021:

**Table 3: Recommended mid-range rents (2021)**

<b>Unit Type</b>	<b>Mid-range rents (affordable) (up to 100% of AMR)</b>	<b>Mid-range rents (moderate) (up to 150% of AMR)</b>
Studio	\$813 - \$1,211	\$1,222 - \$1,816
One-Bedroom	\$1,091 - \$1,431	\$1,432 - \$2,146
Two-Bedroom	N/A	\$1,662 - \$2,491
Three-Bedroom	\$1,859 - \$1,887	\$1,888 - \$2,830

## Recommended Affordable Ownership Housing Definition

The recommended affordable ownership housing definition is substantially similar to the draft definition that was consulted on. The recommended definition now includes the inclusion of mortgage insurance and standard condominium fees, which has the effect of reducing the amount of money available to spend on a mortgage. Affordable prices would be calculated on an annual basis using the inputs included in the definition.

Based on the recommended approach, Table 4 below shows the current and recommended affordable ownership prices.

**Table 4: Affordable ownership housing prices (2021)**

<b>Unit Type</b>	<b>Prices under current definition</b>	<b>Prices under recommended definition and target income*</b>
Studio	\$214,800	\$150,978 \$44,552
One-Bedroom	\$253,900	\$190,137 \$58,286
Two-Bedroom	\$294,700	\$242,551 \$73,628
Three-Bedroom	\$336,400	\$291,653 \$91,611

\*Target incomes are based on the corresponding income percentile for each unit type as outlined in the recommended definition.

### **Updating Affordable Rents and Prices Annually**

City Staff will update affordable housing rents and prices annually. The annual update will be based on updated average market rent data as reported by CMHC, and an update to the estimated household incomes. Estimated household incomes will be calculated by using the most recent Census data and adjusting Census incomes for a given year based on changes to the consumer price index.

### **Program Implementation and Next Steps**

Through the HousingTO 2020-2030 Action Plan the City set a target of approving 40,000 new affordable rental housing units between 2020 and 2030. The Action Plan also called for a 'review options for a revised definition of affordable housing based on 30 per cent of household gross income, consistent with the federal definition of affordable housing'.

The Official Plan Amendment recommended in this report responds to the direction to advance new affordable housing definitions based on gross household income. However, it is important to recognize that changing the definitions of affordable housing will also have a financial impact on projects that provide affordable housing. Notably the recommended affordable rental housing definition has two impacts that warrant attention.

First, based on 2021 incomes and rents, the recommended definition will lead to lower affordable rents for studio units, one-bedroom and three-bedroom units. This will increase the gap between affordable rents and market rents. Because the recommended affordable rental housing definition would lead to lower affordable rents it would also lead to lower revenues in buildings that provide affordable rental units. This decrease in revenues will impact City policies and programs that either secure affordable rental units or build and deliver new affordable rental units, particularly for

studio and one-bedroom units which comprise the majority of affordable units the City secures.

Second, based on long-term trends the recommended affordable rent definition is expected to lead to slower growth in affordable rents. The slower growth in rents is anticipated based on recent trends that show that incomes have grown at a slower rate than market rents. Because of this, it is expected that adopting income based definitions means that over time the gap between market rents and affordable rents is expected to grow faster than it would have using the current AMR based definition.

These changes will impact the financial feasibility of projects that provide affordable housing. As the City actively supports the building of new affordable rental units, it is important to understand how these changes may impact the delivery of affordable rental housing units.

Affordable housing providers that participate in programs such as Housing Now and Open Door have noted that more capital resources and/or adjustments to policy and program implementation will be required to achieve the same number of affordable units than would have been achieved through existing programs under the current market-based definition in order to bridge the gap between the lower affordable rent thresholds under the recommended definition and market rents.

A detailed financial impact analysis of the recommended definition on City programs such as Housing Now and Open Door and potential program changes is underway, and will be considered by Planning and Housing Committee in 2022.

The analysis will detail the revenue gap that would have been created had the recommended definition been in place, for example Housing Now and Open Door projects that were recently approved. The future report will also recommend options to address the gap, such as program changes, increased capital funding allocated to the Housing Now and Open Door programs, additional City incentives offered through the Open Door program and additional federal and provincial investments that may be available. The goal of any program changes would be to offset the reduced debt service capacity resulting from the reduced revenues. The report will also include transition provisions with respect to program/project eligibility.

A preliminary review of the impacts on City programs has been provided below.

**Open Door Funding:** The Open Door program supports the creation of affordable rental housing units developed by not-for-profit and private housing developers. The Open Door program provides financial assistance in the form of exemptions from planning application fees, development charges, building permit fees, parkland dedication fees and residential property taxes and streamlined planning approvals. The Open Door program also has capital grant funding available to support projects, and prioritizes projects with longer affordability terms in line with recent Council direction. Support for projects through federal and provincial National Housing Strategy programs is also critical to supporting development of most Open Door projects.

As a result of the future financial impacts due to implementation of the new affordable housing definition, programs such as Open Door will either need to provide additional funding and/or incentives, and/or implement changes to the program structure in order to achieve the same number of affordable units that would have been possible under the current definition. It will be critical that the federal and provincial governments also provide capital and/or operating funding toward these projects to help offset costs impacts. These investments would help all orders of government to meet their shared goals of increasing affordability and housing stability for low and moderate income households, including those from equity-deserving groups.

As part of the further report to Planning and Housing Committee, staff will recommend changes to the Open Door program. These recommended changes would also be supported by transition provisions to ensure that existing or underway applications are not impacted by program changes.

**Housing Now Initiative:** Currently, affordable housing units created through Housing Now will, on average, rent for 80% of Toronto's AMR. A minimum of 10% of units are to be rented at 40% of AMR. The affordable units secured via the Housing Now Initiative will be affordable for households earning between \$21,000 and \$68,000 per year and deeper levels of affordability may be achieved for eligible housing through the layering of housing benefits. The Housing Now Initiative will likely still be able to achieve an 80% AMR average across a project by targeting more two- and three-bedroom units at or close to 100% AMR, however, fewer more deeply affordable units will likely be included. Funding and financing through CMHC's National Housing Strategy programs, including the Rental Construction Financing Initiative (RCFI) and the Co-Investment Fund are also critical to supporting the delivery of Housing Now Initiative projects. Increased funding and financing, which reflect the high cost of building and operating affordable housing in Toronto, will help support implementation of the revised definition of affordable housing.

Staff will update the affordability targets following Council consideration of the new definition and seek Council approval for any proposed changes to the program to mitigate potential impacts.

## **Supportive Housing**

Supportive housing is intended to support vulnerable and marginalized individuals experiencing or at risk of homelessness. Many of the City's current supportive housing projects—including modular housing and acquisitions/conversions of other building types—are funded by the federal Rapid Housing Initiative (RHI) which covers 100% of the capital costs of creating the new housing.

As the full capital cost of delivering the RHI projects are covered by the federal government, the program sets an affordability requirement in which tenants pay no more than 30% of their gross income on rent. This requirement aligns with the new definition.

In addition to capital funding, ongoing operating funding for rent supplements to deepen affordability (plus provide wraparound supports) for tenants is needed from the

provincial and federal governments to maintain the supportive housing. This operating funding is essential for projects to remain financially sustainable and for operators to provide good quality, affordable housing for tenants over the long term.

Enhanced federal and provincial investments will be needed to complement the City's new definition which aligns with both the federal and provincial definitions. These investments will also help to support the objectives of all orders of government to eliminate chronic homelessness and increase housing stability for residents.

### **Community Housing Partnership Renewal Program (CHPR)**

On December 17 and 18, 2019 City Council adopted the Community Housing Partnership Renewal (CHPR) Program Goal, Guiding Principles and Implementation. Council also adopted amendments to the Municipal Capital Facility By-law to support implementation of the CHPR Program. Pursuant to these amendments eligibility under the CHPR Program requires existing housing providers under former federal housing programs to provide a minimum of 50% of their housing project units at or below 80% of CMHC average market rent, to households with a household income at or below four times the annualized monthly occupancy cost for the housing unit. Additionally housing providers are required to provide 50% of these low-rent units (25% of total) to tenants in receipt of a housing benefit through a City-approved access plan.

In the case of studio units and one-bedroom units the recommended income based definition of affordable rental housing leads to rents that are lower than 80% of AMR in 2021. City staff will review options for updating the Municipal Housing Facility By-law to maintain the eligibility of existing non-profit housing providers to receive property tax exemptions on the basis of meeting the CHPR program requirements with respect to rents.

### **Affordable Ownership Housing Programs**

Since 2007, the City has dedicated a portion of its funding allocation under federal/provincial housing programs to support affordable home ownership in Toronto. The City administers this funding to non-profit affordable ownership developers, such as Habitat for Humanity and Options for Homes, in order to relieve development costs and enable down payment assistance loans to eligible households.

At its meeting on July 14, 2021, City Council adopted the report 'Upcoming Review of City Affordable Home Ownership Policy and Programs', which authorized staff to secure an external consultant to review the City's affordable home ownership policy and programs framework.

The new affordable home ownership definition will not apply to the City's existing affordable home ownership programs. However, as part of the external review expected to be completed in 2022, the consultant will be providing analysis and recommendations on existing affordability levels, including alignment considerations with the affordable home ownership definition in the Official Plan.

A staff report with proposed Inclusionary Zoning policies has been advanced in parallel with this report and will be considered at the same Planning and Housing Committee meeting. The report on Inclusionary Zoning includes draft Implementation Guidelines that will help guide the administration of affordable ownership units. These Guidelines will be updated to align with any program administration changes that arise out of the City's external review process.

## **Conclusion**

The recommended revisions to the Official Plan definitions better reflect the needs of low and moderate income households helping to ensure units secured under the recommended definitions would provide housing that is more affordable for households for whom market housing is out of reach but who are not able to access social housing. Incorporating an income based definition will also ensure that affordable rents and prices grow at the same rate as household incomes.

The recommended definitions are also consistent with the Provincial Policy Statement, 2020, support CMHC's definition of affordable housing based on income, and help to advance the goals and actions of the HousingTO Action Plan 2020-2030.

A future report will be brought forward to Planning and Housing Committee 2022 with a detailed analysis of program impacts arising from the recommended definitions with specific attention to the Open Door and Housing Now programs. This report will outline potential program changes and/or other mitigation strategies to address the impacts of the recommended definitions.

Once the recommended definition is in effect, City staff will bring forward recommended changes to the Municipal Housing Facility By-law, including transition provisions that ensure projects with funding for affordable housing units that were based on the current definition can continue as planned. Provisions will also be developed to ensure that existing social housing units can continue to be funded with similar conditions to existing funding agreements for social housing units, such as through the Community Housing Partnership Renewal Program.

## **CONTACT**

---

Kerri A. Voumvakis, Director, Strategic Initiatives, Policy & Analysis, 416-392-8148, [Kerri.Voumvakis@toronto.ca](mailto:Kerri.Voumvakis@toronto.ca)

Graham Haines, Senior Planner, Strategic Initiatives, Policy & Analysis, 416-392-8124, [Graham.Haines@toronto.ca](mailto:Graham.Haines@toronto.ca)

Valesa Faria, Director, Housing Secretariat, 416-392-0602, [Valesa.Faria@toronto.ca](mailto:Valesa.Faria@toronto.ca)

## **SIGNATURE**

---

Gregg Lintern, MCIP, RPP  
Chief Planner and Executive Director,  
City Planning Division

Abigail Bond  
Executive Director,  
Housing Secretariat

## **ATTACHMENTS**

---

Attachment 1: Recommended Official Plan Amendment (Housing Definitions)