



STAFF REPORT ACTION REQUIRED

Official Plan Review – Proposed Revisions to the Affordable Ownership Housing Definition

Date:	May 25, 2015
To:	Planning and Growth Management Committee
From:	Chief Planner and Executive Director, City Planning Division
Wards:	All
Reference Number:	P:\2015\Cluster B\PLN\PGMC\PG15078

SUMMARY

This report provides an overview of a study undertaken to review the *Affordable Ownership Housing* definition of the City's Official Plan and proposed revisions to the existing definition for the purpose of public consultation as part of the Five Year Review of the Official Plan.

The intent of the proposed changes is to be more consistent with housing market and income conditions to encourage a full range of new affordable ownership housing. The revised definition would increase the price threshold for affordable ownership units under the Official Plan, making it more feasible for developers to deliver homes at the required price points for them to be considered an eligible contribution under Section 37 of the *Planning Act*. The proposed change would also help to encourage the provision of affordable ownership housing not well served by the market.

In July 2013, City Planning in consultation with the Affordable Housing Office retained SHS Consultants and ReFact Consulting to conduct a review of the existing Official Plan definition for *Affordable Ownership Housing*. The summary report of this work is appended as Attachment 3.

The Study proposes a new definition of Affordable Ownership Housing that responds to changes suggested in previous Official Plan Review consultations and more specifically changes raised in stakeholder consultations conducted as part of this Study. The revisions proposed by the consultants are based on an approach that reflects both household income and housing market factors.

A review of implementation issues is also being undertaken to provide further guidance on how this proposed definition change may be brought into effect.

RECOMMENDATIONS

The Chief Planner and Executive Director, City Planning Division recommends that:

1. The Planning and Growth Management Committee endorse, as the basis for a public consultation open house, the proposed Official Plan policy for the revised definition of Affordable Ownership Housing in Attachment 1 of the report;
2. The Chief Planner and Executive Director, City Planning report back on the results of the public consultation open house and on an approach for implementation of the proposed revised definition for Affordable Ownership Housing to the Planning and Growth Management Committee on Oct 8, 2015; and
3. The Planning and Growth Management Committee receive the Consultant's report which summarizes the findings of the affordable ownership definition policy review study.

Financial Impact

The recommendations in this report have no financial impact.

DECISION HISTORY

At its meeting of June 18, 2012, the Planning and Growth Management Committee requested the Chief Planner and Executive Director, City Planning to prepare a report for September 13, 2012 meeting of Planning and Growth Management Committee outlining proposed policy amendments to the Official Plan pertaining to the affordable ownership housing policies. A link to the decision and staff report can be found here:

<http://www.toronto.ca/legdocs/mmis/2012/pg/bgrd/backgroundfile-48095.pdf>

On April 2nd and 3rd, 2013 City Council referred Item PG22.1 to the Chief Planner and Executive Director, City Planning, for a report in consultation with the Director, Affordable Housing Office, on conditions related to changes to the City's Section 37 policies for affordable housing and the definition for affordable ownership housing. The decision and staff report, Official Plan Review - Official Plan Amendment to Adopt New Section 37 Policies Related to Affordable Housing, can be found at the following link:

<http://www.toronto.ca/legdocs/mmis/2013/pg/bgrd/backgroundfile-56262.pdf>

At its meeting of July 16, 17, 18 and 19, 2013 Council enacted Official Plan Amendment 214, which provided for affordable ownership housing and rented registered condominium units as eligible Section 37 community benefits. Council's decision and supplementary staff report can be found here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.MM37.44>

In July 2013, City Planning in consultation with the Affordable Housing Office retained SHS Consultants and ReFact Consulting to study the City's Official Plan definition for Affordable Ownership Housing ("the Study"). The purpose of the study was to review and evaluate a range of definitions for affordable ownership housing based on the current ownership housing market, household incomes and the City's existing housing policy framework.

ISSUE BACKGROUND

Official Plan Review – Housing Policies

On May 30, 2011, Planning and Growth Management Committee directed the initiation of the review of the Toronto Official Plan required under Section 26 of the *Planning Act*. After reviewing the results of broad public consultation in February 2012, Council directed that the review proceed by thematic areas.

Housing affordability was listed as one of the biggest challenges in the City, second only to transit issues. In general, members of the public identified the need for greater investment in affordable housing and creative policies to encourage more affordable housing. Focused housing stakeholder consultations were also held by Planning staff, in partnership with the Affordable Housing Office. Through this consultation process, the following affordable ownership housing policies were identified for review:

- Affordable ownership housing as an eligible Section 37 benefit;
- Official Plan affordable ownership definition contained in section 3.2.1; and
- Policy 3.2.1.9(b) – affordable housing large site policy

The key principles identified for consideration of the City's housing-related Official Plan policies include:

- Ensuring that the affordable housing policies can be implemented equitably across the City;
- Updating the policies in order to encourage new affordable housing; and
- Creating a framework to encourage new affordable ownership housing.

In 2013, Council enacted Official Plan Amendment 214, which provided that affordable ownership housing and rented-registered condominium units are eligible Section 37 community benefits. This report addresses further housing policy changes as part of the Official Plan Review.

Planning will be reporting out on other housing policy matters under review as part of the Official Plan Review in 2016. Priority will be given to policy changes to help stimulate and create new affordable housing across the City. A review of the City's large-sites policy is currently underway. Additional work is also in progress to address requirements for larger sized units and associated amenities to accommodate families and households in new developments.

Housing Policy and Program Context

The City's Official Plan envisions a city of complete communities with affordable housing choices that meet the needs of households at different life stages. The Official Plan's housing policies recognize the importance of providing a full range of housing in terms of form, tenure and affordability and sets out a housing policy framework to achieve this objective. Through specific policies, use of available planning tools and other government funding sources, the aim is to target areas of the City's housing spectrum not adequately provided for by the market.

The current Official Plan housing policies include three main objectives: to preserve and prevent losses in the existing rental stock; protect and meet the housing needs of tenants; and encourage new affordable housing and the production of new rental housing. Since the Plan came into force, the policies have been successful at conserving existing rental housing and protecting tenants. However, there is still a significant need in the City for new affordable housing.

The Official Plan policies enable the City to secure new affordable housing units as a community benefit through the development approval process in exchange for additional height and density. Definitions contained in the Official Plan for affordable rental housing and affordable ownership housing identify rent and price thresholds by unit type that are used to determine whether a housing unit is eligible as a community benefit under Section 37 of the *Planning Act*.

Official Plan policies are only a component of a strategy to achieve more affordable housing in the City. A range of policies and programs are required to address the affordable housing needs, and ultimately assist in building complete communities across the City. Various City Divisions are involved in supporting the City's housing objectives. Parallel actions by municipal partners and other levels of government that include ongoing funding programmes and incentives, as well as private sector initiatives are still needed to fully address the issue.

The City's *Housing Opportunities Toronto - An Affordable Housing Action Plan 2010-2010* (HOT) guides the work of many divisions and agencies that have a role in delivering housing and homelessness programs and services. The HOT Plan supports eight strategic directions for addressing the City's affordable housing needs. These include: creating housing opportunities in all neighbourhoods; helping homeless and vulnerable people find and keep homes; assisting individuals and families to afford rents; preserving and repairing rental housing; revitalizing neighbourhoods; creating new affordable rental homes; helping people to buy and stay in their homes; and, working together with the federal and provincial governments.

The Affordable Housing Office and Shelter, Support and Housing Administration recently initiated a five-year review of the HOT Plan. An interdivisional steering committee including City Planning, Toronto Public Health, Long Term Care Homes and Services, Municipal Licensing and Standards, Corporate Finance, and Social

Development, Finance and Administration, will oversee and advise on the review and update of the Plan.

As the Municipal Service Manager under the *Housing Services Act* the City is involved in delivering a variety of funding programs that support affordable rental and ownership housing. The federal provincial Investment in Affordable Housing Program (IAH) provides funding to develop new rental housing, fund housing repair, deliver housing allowances and make available home ownership down payment assistance loans. To support private and non-profit affordable rental housing construction the City also provides incentives through Development Charges, Planning fees and property tax relief, typically in conjunction with federal provincial funding. The City also provides funding through its Home Ownership Assistance Program (HOAP) to off-set development fees and charges for non-profit sector affordable ownership developers such as Habitat for Humanity.

On April 24, 2015, the Mayor and the City's Housing Advocate issued a letter to the Affordable Housing Committee titled "Affordable Housing Open Door Program". The program is intended to address key factors to encourage private and non-profit developers to build more new affordable rental and ownership housing. These factors include unlocking opportunities on private, public and non-profit land; fast tracking the planning-approval process; expanding the City's financial incentives to reduce construction costs and challenging the provincial and federal governments and private and non-profit developers to scale up their efforts.

COMMENTS

Current Definition for Affordable Ownership Housing

The Official Plan's housing policies direct land use planning decisions and use of planning tools to address the City's long-term housing needs. As a matter of both municipal and provincial interest, the Plan defines affordable rental and affordable ownership housing to support policies intended to:

- Support an overall housing mix which meets current and future needs
- Pursue options to provide municipal assistance to encourage production of affordable housing
- Implement rental unit replacement policies
- Enforce rental preservation and condominium conversion policies
- Provide new affordable rental and ownership housing through policies on large development sites
- Evaluate and maximize housing opportunities where height or density incentives are sought under Section 37

The Official Plan defines affordable ownership housing as housing that is priced at or below an amount where the total monthly shelter cost equals the average City of Toronto rent, by unit type, using standard affordability assumptions (mortgage, principle and interest) and inclusive of any mandatory costs associated with purchasing the unit.

The current affordable ownership definition is based on a market approach that links a households' ability to own an affordable home to average market rents in the City. It assumes that the same amount of money spent by tenants on average to rent a unit of a particular bedroom type would be available for the purchase of an ownership unit of the same type. In general, this means \$1,200 in monthly rent would equal a \$1,200 monthly mortgage payment for a unit of the same type.

By aligning the City's affordable rental and affordable ownership definitions, the aim is to target tenants paying average market rents as potential first-time buyers. This approach was also designed to identify affordable rent levels or prices levels below what the market would otherwise charge for new units to address existing gaps in the housing market. Both definitions assume that for affordable homes to be provided under Official Plan's policies, financial contributions are required from developers and in some cases, other government assistance to meet the definitions' affordability thresholds.

The current definitions support affordability for low and moderate income households. Since adoption, the affordable rental housing definition has played an important role in implementing the City's rental protection and replacement policies, and achievable when units are delivered as Section 37 community benefits, in exchange for additional height or density. The affordable rental definition is also used to the City to support private and non-profit affordable rental housing construction through Development Charges, Planning fees and property tax relief.

The applicable affordable prices and affordable rents under the City's current definitions are listed below:

Table 1. – Current Official Plan Affordable Housing Definitions – 2015 Affordability Thresholds

Unit Type	Affordable Ownership Housing	Affordable Rental Housing
Bachelor	\$155,378	\$899
1 Bedroom	\$185,106	\$1071
2 Bedroom	\$218,463	\$1264
3 Bedroom	\$254,067	\$1470
2 Bedroom TH	\$218,636	\$1265
3 Bedroom TH	\$260,289	\$1506
4 Bedroom TH	\$270,141	\$1563

While the current definitions strive to address the problem of housing affordability in the City, only a limited number of new affordable housing units have been produced under the definitions. Reasons for this include limited opportunities under the City's large sites policy; competing Section 37 priorities for other community benefits, such as child care centres or for parks and recreation purposes; and, the cost to developers to provide units at the defined affordability thresholds.

The difference between the cost of renting and owning a home in Toronto has increased in recent years. Price increases in the ownership housing market mean greater contributions are required from developers to deliver affordable ownership units under

the Official Plan's current definition and growing pressures on the City's existing rental stock. Given rising home ownership costs, stakeholders have raised affordable ownership housing as a matter of particular interest. As part of the Five Year Official Plan Review, stakeholders identified the need to review the Official Plan's definition for affordable ownership housing to improve its effectiveness at encouraging the creation of affordable ownership housing as part of the City's overall housing policy framework.

STUDY FINDINGS

Toronto's Housing Market

The Study reviewed housing market characteristics and trends in the City to understand the context in which the City's housing definitions operate. Particular attention was given to household incomes, shelter costs (rents, utilities, taxes, interest rates) and housing prices as key components in defining affordable housing. Some of the specific findings of the study are summarized below.

Supply and Cost of Ownership Housing Continues to Rise

Housing production has remained steady in Toronto with a strong tendency towards ownership tenure. Since 1999, there has been an average of at least 10,000 or more new housing units produced each year. Ownership have accounted for more than 90% of new housing units produced over the last two decades. In spite of continued demand, production of purpose-built rental housing has been minimal. Accounting for nearly half of the City's households, rental housing remains a vital component of the City's housing stock.

Despite a variety of housing types, the ownership market is expensive and remains out of reach for many households. Over the last 10 years, the average resale price of ownership housing has increased by 87%, from \$326,514 to \$610,554, although average resale prices vary by structure. Market research found that in 2014 prices ranged from just under \$390,000 for a condominium apartment to over \$930,000 for a single detached house. Similar upward trends were also seen for new units with the cost of a new two-bedroom condominium averaging over \$490,000.

Household Incomes Struggle to Keep Pace of House Prices

Income is a key factor in determining how much households can afford to pay for housing. Analysis of the City's income distribution shows that when accounting for inflation, approximately 50% of all households in the City have seen flat or declining income in real terms over the last two census periods.

At the same time, house prices have increased at a much higher rate than inflation or income growth. While comparable data is not available for all periods, the Study shows that median incomes for all households rose by an estimated 16% or just above the rate of inflation from 2005 to 2013, while average resale housing prices increased by approximately 56% over the same period. The effect of these trends is an increase in the real cost of ownership housing and decrease in a household's ability to pay for shelter costs, particularly those at or below the median household income.

The Ownership Affordability Gap

Analysis of ownership market prices and household incomes show that monthly payments for an average priced resale home increased at a much higher rate than both income and inflation. Based on a household paying 30% of their income on housing, the Study found that only the top 20% of household incomes could afford the average priced resale home of \$564,639 in 2013.

The gap between costs of owning and renting has also been widening. While affordability issues remain for renters due to flat/declining real incomes, rental costs have increased at a lower rate than ownership prices. Over the last 10 years, average rent in Toronto increased by 20% as compared to 87% for the average priced resale home. Despite declining vacancy rates and limited new rental housing production, the comparatively moderate increase in rent has enhanced the gap between the cost of rental and ownership housing. This trend highlights the important role rental housing continues to play in addressing the City's housing needs, as well as the rising affordability challenges for owners with moderate household incomes and tenants looking to access the ownership market.

Review of shelter-to-income ratios shows that one in three households in Toronto are spending 30% or more of their income on housing. The Study identified an ownership affordability gap for households in the 30th to 60th income percentiles or incomes from \$37,700 to \$76,600. This gap identifies a segment of household incomes in the City that experience challenges in affording ownership housing, while renter households can generally afford rental accommodations. This gap represents affordable ownership prices ranging between \$158,000 and \$322,000. From a policy perspective, the Study identified that targeting new ownership housing initiatives in this segment of the income spectrum would assist in improving affordability for both owners and renters.

Comparing Definitions for Affordable Ownership Housing

The Official Plan definition is one of a number of definitions used by the City and/or Province in setting policy and delivering programs for affordable ownership housing. These approaches vary in the use of income measures, market measures or a combination of the two to identify affordable ownership price thresholds.

A comparative analysis of these definitions was conducted as part of the Study to better understand where each definition falls within the City's housing market and identify household incomes served. The analysis included definitions in the Provincial Policy Statement (PPS), Official Plan, the federal/provincial Investment in Affordable Housing Program (IAH) and the City's Home Ownership Assistance Program (HOAP) and was based on available 2013 data.

Table 2. Comparative Analysis of Affordable Ownership Housing Definitions for 2013

Affordable Ownership Definition*	Affordable Price Threshold	Income Percentile
<i>IAH Program & City HOAP Program</i>		
Average Resale Price	\$564,639*	82 nd
Price Based on Income Threshold	\$321,744	60 th
<i>Provincial Policy Statement</i>		
60 th Income Percentile	\$321,744	60 th
<i>Official Plan</i>		
4 Bedroom Townhouse	\$253,070	49 th
3 Bedroom Townhouse	\$240,483	47 th
3 Bedroom Apartment	\$240,483	47 th
2 Bedroom Townhouse	\$202,053	39 th
2 Bedroom Apartment	\$200,375	39 th
1 Bedroom Apartment	\$169,496	32 nd
Bachelor Apartment	\$140,967	26 th

Source: SHS calculations based on reported data for 2013

*For comparison, average price for a new 2-bedroom condominium in 2013 was \$490,778. The average resale price in 2015 is currently \$614,177.

Using market price comparators, the Study found a sizable gap between the affordable house prices identified by the current Official Plan definition and ownership housing options available in the market. Based on average market rents, the current Official Plan definition calculates affordable housing thresholds ranging from \$138,000 for a bachelor unit to \$258,000 for a three-bedroom unit, which relate to household incomes from \$32,000 to \$61,000.

While the current ownership definition targets lower incomes with greater affordability needs, the Study's market analysis found that a limited number of new housing units are sold at or beneath these thresholds. This differential makes it challenging for the City to encourage the creation of new affordable ownership housing without significant contributions from developers or additional government assistance.

At the same time, analysis of definitions set by the Province and used by the City for down payment assistance programs shows that these definitions do not necessarily align with existing gaps in the ownership market or areas of the income spectrum where ownership affordability issues are most common. The Provincial Policy Statement (PPS) defines affordable ownership using incomes for all households or average resale house prices, whichever is lower. Income thresholds for this definition target low and moderate-income households who are at or below the 60th income percentile of all households.

Based on this single income limit, the Study found that the PPS definitions resulted in an affordable ownership price limit of \$320,000. Market research found that approximately 35% to 40% of new ownership units were priced at or below this price point. However, nearly all of these were bachelor and one-bedroom units and do not accommodate a variety of household sizes.

The Federal/Provincial Investment in Affordable Housing Program (IAH) and the City's Home Ownership Assistance Program (HOAP) use a two-part definition similar to the PPS that limits eligibility to households with incomes in the 60th income percentile and a

maximum sale price based on the annual average resale price for the City. In partnership with the non-profit sector, AHO advised that units delivered through the program consistently target at or below the 60th income percentile.

Within the City's existing ownership market, the Study found that the PPS and HOAP definitions target moderate household incomes to some degree. However, they do not adequately address existing gaps in the ownership housing market or account for affordability by unit type. At the same time, the current Official Plan definition does not necessarily reflect the market's existing capacity to deliver housing options that are affordable to targeted households without significant costs to developers.

Targeting a Range of Ownership Affordability Needs

Based on market analysis and an evaluation of existing definitions for affordable ownership housing, the Study identified the need for the Official Plan definition to more effectively address the existing affordability gap in the City's ownership housing market.

The Study examined four potential options for defining affordable ownership housing using a variety of income and market based approaches. These options were assessed against the following principles, which were refined by input from stakeholders:

- Support public policy for overall housing mix/range
- Be consistent with provincial and city policy frameworks
- Be clear to public, stakeholders, decision-makers and City staff
- Reflect variations in unit types and sizes relative to household sizes
- Be relevant to current initiatives
- Be flexible within changing markets/conditions
- Secure affordability and be targeted to the ownership affordability gap
- Facilitate creation of additional affordable units
- Be easy to implement, monitor and update

The assessment identified a number of challenges with using specific market and income indicators to calculate affordable ownership prices including, the availability of market data by unit type and reliability of income reporting. Different data sources and factoring methods were used to account for these challenges.

This work found a composite approach that accounts for both household incomes (ability to pay) and gaps in the ownership market best meets the policy principles. This approach was found to be more balanced in that it considered different incomes by unit type to support a range and mix of affordable ownership units, while meeting gaps in the market.

Stakeholder Consultations

A range of housing stakeholders from the public, non-profit and private sectors were engaged as part of the Study process. Stakeholders included Artscape, BILD, DiamondCorp, Habitat for Humanity, Home Ownership Alternatives, Kehilla Residential

Project, Ministry of Municipal Affairs and Housing, Ontario Non-Profit Housing Association, Options for Homes, Toronto Community Housing, and Trillium Housing.

Two consultation sessions were held in conjunction with the Affordable Housing Office to provide feedback on various aspects of ownership affordability, including challenges with the current definition and key policy approaches. A brief survey and key informant interviews were also undertaken.

Feedback from stakeholders noted: a need to facilitate more affordable units in the City and to ensure they remain affordable; a preference to define affordability by income and need to reflect household size/type; general support for a composite market-income approach; maintaining on-going affordability as a challenge; and a number of implementation considerations to be more fully understood. The consultant's summary of stakeholder feedback has been included in Attachment 2.

REVISED DEFINITION

In light of the Study findings and stakeholder consultations, a revised Official Plan definition for affordable ownership housing is being proposed that is a more consistent with housing market and income conditions, compared to the existing definition based on average market rents.

The proposed definition uses market factors to identify price points at or below current market prices by unit type and relates these price points to income groups not currently being served by the market. The proposed changes would shift the range of household incomes addressed by the Official Plan definition upwards from between \$33,600 and \$60,320, to between \$37,700 and \$76,600 depending on unit type. For illustration, the proposed change would increase the affordable ownership price for a 2-bedroom unit by approximately \$56,000.

The following table provides a comparison of the existing and proposed affordable ownership definition price thresholds.

Table 3. – Comparison of Existing and Proposed Affordable Ownership Definition Thresholds*

Unit Type	Existing Official Plan Definition			Proposed Official Plan Definition		
	Affordable Price Threshold	Household Incomes Served	Income Percentile	Affordable Price Threshold	Household Incomes Served	Income Percentile
Bachelor	\$140,967	\$33,600	26 th	\$158,000	\$37,700	30 th
1 Bedroom	\$169,496	\$40,400	32 nd	\$205,000	\$48,800	40 th
2 Bedroom	\$200,375	\$47,760	39 th	\$258,000	\$61,500	50 th
2 Bedroom TH	\$202,053	\$48,160	39 th	\$258,000	\$61,500	50 th
3 Bedroom	\$240,483	\$57,320	47 th	\$290,000	\$69,000	55 th
3 Bedroom TH	\$240,483	\$57,320	47 th	\$290,000	\$69,000	55 th
4 Bedroom TH	\$253,070	\$60,320	49 th	\$322,000	\$76,600	60 th

* SHS/reFact calculations based on analysis of 2013 data

Using the proposed approach, affordable ownership price thresholds for 2015 would range from \$166,000 to \$336,000 by unit type.

In targeting a range of household incomes below the 60th percentile, the proposed definition is consistent with the Provincial Policy Statement, but more responsive to the City's existing housing needs. As proposed, the definition is intended to facilitate homes that could permit some renter households who are priced close to but just outside the ownership market to move into the lower-end of the ownership market. Relating affordable ownership prices to household incomes within the ownership affordability gap would ensure that City policies and housing investments are directed to where they are needed and encourage the provision of affordable housing options by developers at prices that may be viewed as a benefit to the City.

In contrast to the existing definition that uses readily available rental market data by unit type to calculate affordable ownership prices, the proposed definition uses methods that draw on both income and market indicators. In so doing, the revised approach is more responsive to market trends and targeted at existing housing needs. The approach, however, does rely on data from multiple sources. Staff propose that the affordable ownership prices be updated every year using a compounded income factor to estimate annual changes in income. When new census income data becomes available (every five years), the prices will be recalculated and a review of the ownership market will be undertaken to confirm continued alignment of the targeted income groups and ownership affordability gap.

In addition to the proposed changes to the definition, the Study identified matters related to implementing the City's affordable ownership definition. These matters include the need for measures to maintain affordability of new affordable ownership units as durable community benefits through development guidelines and appropriate implementation tools to secure the benefit. Further guidance on securing affordable ownership contributions under Section 37 relative to other forms of affordable housing and/or community benefits, and exploring the use of other City tools and programs to deepen the affordability of ownership units were also noted. Planning staff have also raised these issues as important to the provision of affordable ownership housing units through both planning approvals and other housing initiatives. Review of these issues is being initiated as part of additional housing policy work underway as part of the Official Plan Review and will be pursued through related interdivisional housing initiatives.

Conclusion and Next Steps

The Study proposes a new definition of Affordable Ownership Housing that responds to comments raised in the previous Official Plan Review consultations and more specifically changes raised in stakeholder consultations as part of this Study. The revisions proposed are based on an approach that reflects both household income and housing market factors.

If implemented, the definition would result in increasing the threshold price for affordable ownership units under the Official Plan policy, providing greater opportunity for developers to achieve the required price points for units to be viewed as an eligible contribution under Section 37.

This report recommends that a public consultation open house be held to facilitate additional feedback on the proposed revised definition and preparation of a final report for Committee and Council's consideration. The proposed policy will be made available to the public and stakeholders for review through the City's Official Plan Review website at www.toronto.ca/opreview, and by email or mail to stakeholders engaged with the Review.

Section 26 of the *Planning Act* requires that Council hold a special meeting, open to the public, "to discuss the revisions that may be required" as part of the Five-Year Official Plan Review. Staff will report the results of the public open house consultation at a special public meeting of Planning and Growth Management Committee on October 8, 2015.

As part of the Official Plan Review housing policy work program, other housing policy matters will be brought forward for the Committee's consideration in 2016. Priority will be given to potential policy changes to help stimulate and create new affordable housing, including revisions to the 'large sites' policy, which requires affordable housing in new communities.

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SIGNATURE

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ATTACHMENTS

- Attachment 1: Proposed Official Plan Amendments to Section 37 Policies Related to Housing
- Attachment 2: Stakeholder Consultation - [Section 6.4 - Background Report – January 2015]
- Attachment 3: Defining Affordable Ownership Housing: Housing Policy Review City of Toronto's Official Plan – Summary Report - January 2015

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Attachment 1: Proposed Official Plan Amendments to Section 37 Policies Related to Housing

Delete section 3.2.1 Housing Definitions - Affordable Ownership Housing and replace with the following text.

3.2.1 Housing Definitions

Affordable ownership housing is housing which is priced at or below an amount where the total monthly shelter cost* does not exceed 30 percent of gross annual income for households within the moderate income range, defined as the 30th to 60th income percentiles, depending on unit size. More specifically:

- bachelor units must be affordable to households with incomes no higher than the 30th percentile;
- one bedroom units must be affordable to households with incomes no higher than the 40th percentile;
- two bedroom units must be affordable to households with incomes no higher than the 50th percentile;
- three bedroom units must be affordable to households with incomes no higher than the 55th percentile; and
- four bedroom units must be affordable to households with incomes no higher than the 60th income percentile.

* i.e. mortgage, principal, and interest --- based on a 25-year amortization, 10% 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.

Attachment 2: Stakeholder Consultation - [Section 6.4 - Background Report – January 2015]

Throughout the study process, community stakeholders were consulted to provide feedback on various aspects of ownership affordability, including issues with current definitions, required elements and preferred approaches and alternate definitions. Insights from these consultations were valuable to the study process, providing key perspectives on policy approaches to defining affordable ownership housing for the purposes of the City's Official Plan. While a more detailed summary of the consultation process is provided in Appendix D, a brief synopsis of feedback is provided below insofar as it relates to development of the preferred definition.

Initial stakeholder session and interviews

On December 11th, 2013 a community stakeholder session was held. Those involved in affordable home ownership initiatives, both in the private and not-for-profit sector, were invited, as were stakeholders with a specific policy interest in the OP definition. Background information about the study, and preliminary analysis results, were presented. In break-out tables, participants were asked to consider a series of questions related to affordable ownership housing based on their experience. Common themes arising from responses included:

- There is a need to facilitate more affordable units in the city and to ensure that they remain affordable.
- There is a disconnect between the current Official Plan ownership definition and the marketplace.
- Defining affordability from the income side is preferred and the definition needs to reflect household size/type.
- Flexibility in policy is key to being able to remain relevant to market realities.
- Ownership access is driven in large part by a household's eligibility for a mortgage.
- Households need to be able to carry costs, so targeting to lowest income deciles is not desirable/sustainable.
- Tiered incentives are needed to create levels of affordability – more affordable units deserve more incentives.
- Incentives should be tied only to non-profits to preserve the public interest/investment.
- Securing incentives via second mortgages is a viable way to ensure perpetuity of investment.
- There needs to be reporting and transparency on outcomes to ensure the definition is working.

As part of the study process, a brief survey was also distributed to key informants seeking their opinions on the current OP definition, its applications and what changes (if any)

they felt were needed. While response rates were modest, they did largely reflect the main views put forward by stakeholders attending the December session. The initial perspectives from key informants and stakeholders alike do reflect the market gap realities found in the comparative analysis of current definitions. Comments were also supportive of a renewed definition that was more income-focused while remaining relevant to market conditions. These comments and observations were factored into options for establishing a preferred definition.

Second stakeholder session

On October 16th, 2014 a second community stakeholder session was held. Those who were invited to the first session or who had been interviewed were invited to attend. At this session, definitional approaches and the results of the comparative analysis were reviewed. The preferred definitional approach was also presented, as were the anticipated implications of adopting this approach and the factors necessary for consideration in implementation. Common themes arising from the session included:

- The direction for the composite market-income approach was generally supported but it must be put into proper context with other affordable policies/programs (esp. rental).
- Additional clarity around the definition and how it works would be helpful.
- Rationale for using the median income (50th percentile) versus the 55th income percentile for baselining – some felt the higher benchmark was warranted but all felt that additional rationale was required to support this proposition.
- While supported, the composite market-income approach was seen as cumbersome, especially in terms of the practicality around testing on the market side of the model.
- Obliging/maintaining on-going affordability is a clear challenge and would need to be subject to program tools/implementation vehicles.
- Annual adjustments used for the selected definition need to be predictable and have a strong methodological base.
- There are substantial implementation considerations and challenges that need to be more clearly understood in order to support a definition change.