



STAFF REPORT ACTION REQUIRED

Official Plan Five Year Review: Public Consultation and Implementation Regarding Amendment to Affordable Ownership Housing Definition – Final Recommendation Report

Date:	January 28, 2016
To:	Planning and Growth Management Committee
From:	Chief Planner and Executive Director, City Planning Division
Wards:	All
Reference Number:	P:\2016\Cluster B\PLN\PGMC\PG16028

SUMMARY

At its meeting of June 18, 2015, Planning and Growth Management Committee directed staff to hold a consultation open house on proposed revisions to the Affordable Ownership Housing definition of the City's Official Plan, and report back on the outcomes of the public consultation. Committee also requested staff to report back on an approach and timing for implementing the proposed definition.

The public consultation open house was held on July 29, 2015. This report presents the results of the open house consultation and identifies the scope of implementation matters related to the revised definition. It is recommended that a statutory public meeting be scheduled on the proposed definition as required by Section 26 of the *Planning Act*.

The intent of the revised Affordable Ownership Housing definition is to support the provision of affordable ownership housing under the Official Plan Section 37 policies. The definition is one of a variety of housing initiatives delivered by various City Divisions that support the City's housing objectives, including the delivery of federal/provincial and City loan funding programs administered by the Affordable Housing Office.

RECOMMENDATIONS

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

1. Planning and Growth Management Committee request that this report dated January 28, 2016, containing proposed amendments to the Official Plan as included in Attachment 1 on the Affordable Ownership Housing definition be distributed to the public and considered at a special statutory meeting to be held on May 11, 2016.

Financial Impact

There are no immediate financial impacts associated with this report.

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 ("Consultants") to review the City's Official Plan definition for Affordable Ownership Housing. 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.

On June 18, 2015, the consultants final report , along with a report from City Planning, were considered by the Planning and Growth Committee. Both reports can be viewed at the following link:

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

The Committee in adopting the report:

1. Endorsed, 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 (May 25, 2015) from the Chief Planner and Executive Director, City Planning;
2. Requested the Chief Planner and Executive Director, City Planning to report back on the results of the public consultation open house and in consultation with the Director, Affordable Housing Office, report on an approach and timing for implementation of the proposed revised definition for Affordable Ownership Housing to the Planning and Growth Management Committee on October 8, 2015; and
3. Received the Consultant's report which summarizes the findings of the affordable ownership definition policy review study.

City Council on December 9 and 10, 2015, adopted EX10.18 *Affordable Housing Open Door Program* which included a new Housing Facility By-law to enable improvements to the City's approach to affordable housing through the provision of available funding programs and incentives. EX10.18 also directed the Chief Planner and Executive Director, City Planning to identify affordable housing as a priority Section 37 community benefit to be provided by new developments in consultation with Ward Councillors and the community, and that a preference, where appropriate, be given to providing affordable housing on site. The decision is available here:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2015.EX10.18>

ISSUE BACKGROUND

City Planning's report to the Planning and Growth Management Committee on June 18, 2015 provides a detailed discussion of the issue background, including housing policy and program context and various existing definitions of affordable ownership housing. This report offers a brief overview of the proposed definition to set the stage for the review of stakeholder feedback and approaches to implementation.

Provincial Definition

The Provincial Policy Statement (PPS) provides direction to municipalities on affordable housing policy. Municipalities are required to consider and implement the objectives of the PPS through their Official Plan policies and zoning regulations and as part of all planning and land-use decisions.

The Provincial Policy Statement directs municipalities to provide for an appropriate range of housing types and densities to meet the needs of current and future residents. To implement this policy directive, municipalities are required to set and meet minimum targets for the provision of housing that is affordable to low and moderate-income households. The terms "affordable" and "low and moderate-income households" have been generally defined by the Province and prices used serve as a minimum standard for municipalities to follow.

The provincial definition does not define affordability by type or size of unit and prescribes a single ownership threshold based on the 60th household income percentile for the market area. This approach presents particular challenges for applying the definition through planning tools and in the context of Toronto's large and dynamic housing market. Market analysis of ownership sales data for 2013 shows that approximately 35% to 40% of new ownership units in the City Toronto currently fall under the Provincial definition. However, household income data shows that a significant number of households continue to experience affordability issues.

The Provincial method provides one "affordable" price for all unit types and sizes, regardless of whether the unit is a small studio or has 3 or more bedrooms. However, many of the units now being built by the market that are smaller in size and type than the average unit and often sell for less than the Province's average price. As a result, the Province's method can overshoot the actual selling price for these smaller units calling into question the need for municipal incentives or subsidies for these smaller "affordable" units that are already being produced by the market.

When considering the provision of affordable housing as a community benefit under Section 37, there is the need to better understand and evaluate the relative contribution any "affordable" housing would offer in meeting the City's existing housing needs. Distinguishing between unit type is an important aspect in ensuring that contributions being made by developers address existing gaps in housing market and that City incentives are not directed towards units already being produced.

Existing Official Plan Definition

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. This is based on standard affordability assumptions (mortgage principal and interest) and is inclusive of any mandatory costs associated with purchasing the unit. As the definition is based on affordable market rents, it assumes that new purchasers, predominantly tenants, should be able to buy a home for the same carrying costs.

However, by using average market rents to derive ownership prices and in light of substantial increases in ownership prices in recent years, the existing definition generates affordable ownership price points that are well below prices for comparable unit types produced by the market. At present, significant subsidies or other contributions are

required for housing providers to achieve those price points, as is also the case when producing affordable rental housing.

Proposed Official Plan Definition

Rather than average market rents, the proposed ownership definition uses income indicators and ownership market prices to identify affordable price thresholds below what the ownership market is producing by unit type, but more in line with current ownership market prices. The effect of the proposed definition would increase the affordable price point by unit type and target a higher range of household incomes. The proposed definition could stimulate more affordable ownership development by reducing the financial contributions required by developers to provide affordable ownership units under the City's planning policies. Similar to the existing City definition, the proposed definition continues to distinguish price by unit type; therefore ensuring that any contribution under Section 37 better reflects the cost of units being produced.

The proposed definition is as follows:

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.

Staff considers that both the City's existing and proposed Official Plan definitions of affordable ownership housing are consistent with the objectives of the PPS. The draft Official Plan Amendment is included as Attachment 1 to this report.

Who does this serve?

The proposed definition is targeted at a range of household incomes (between the 30th and 60th income deciles) where on average 45% of ownership households are currently experiencing challenges in affording ownership housing. This range represents 40% of all households in the City. Accounting for households already in the ownership market and

rental households that continue to experience affordability issues, the proposed definition targets just over 120,000 potential homebuyers within the ownership affordability range. This represents roughly 12% of all households in the City.

If implemented, the definition would allow for slightly higher incomes to be served, than under the existing definition. This in turn results 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.

Although the number of households generally targeted appears fairly large, the actual number of units that may be eligible under the proposed definition may be relatively small. Market research suggests that several hundred units are being produced each year at or just above the proposed price points. It is expected that further incentive through the use of Section 37 would result in an increase in the production of units at slightly below these price levels; however, the exact number of units to be constructed as a result of the new definition is unclear. Certain factors that may temper the increase in affordable ownership development include; interest in other Section 37 benefits; developer interest in building affordable ownership housing; lag time for developers to realign their objectives with the new definition direction; and, timing associated with Ministerial approval of the Official Plan change and municipal implementation of delivery mechanisms.

CONSULTATION

Consultation Process

As part of the Official Plan Review process, the public expressed interest in more financial investment and creative approaches to support affordable housing. Through focused housing consultations stakeholders specifically identified the need to review the Official Plan's definition of Affordable Ownership Housing in an effort to improve its effectiveness at encouraging the development of such housing.

In July 2013, City Planning in consultation with the Affordable Housing Office retained SHS Consulting and ReFact Consulting to study the City's Official Plan definition for Affordable Ownership Housing. Two consultation sessions were held as part of the study to provide feedback on various aspects of ownership affordability, including challenges with the current definition and key policy objectives.

A range of housing stakeholders from the public, non-profit and private sectors were engaged as part of this process. Stakeholders included Advocacy Centre for Tenants Ontario (ACTO), Artscape, Build Toronto, DiamondCorp, Habitat for Humanity, Kehilla Residential Project, Ministry of Municipal Affairs and Housing, Ontario Non-Profit Housing Association, Options for Homes, Social Planning Toronto, Toronto Community Housing, Toronto Women's City Alliance (TWCA), and Trillium Housing. A summary of the feedback received through these consultations was provided in the Staff Report to the Planning & Growth Management Committee dated May 25, 2015.

In June 2015, the Planning & Growth Management Committee directed Planning staff to hold a public consultation open house to facilitate additional feedback on the proposed revised definition. The event was advertised through an Official Plan Review e-update and stakeholder e-blast reaching over 4,350 interested parties. A notice was placed in the Toronto Star and on the City's Official Plan Review website.

The policy review, June 2015 staff report, and open house presentation materials are available on the City' Official Plan Review web page at <http://www1.toronto.ca/wps/portal/contentonly?vgnextoid=2a9c481af78bf410VgnVCM10000071d60f89RCRD>

What We Heard

Over 30 people attended the open house held on July 29, 2015. Attendees included members of the public, as well as representatives from ACTO, BILD, Build Toronto, CMHC, Habitat for Humanity, Options for Homes, Toronto Public Health, and TWCA.

Feedback from the session affirmed some key components of the proposed definition. Participants identified below-market limits for the price thresholds as important and the use of median household income as a scale for the definition as an appropriate approach. Breaking down the definition by unit type and tying it to the housing market was noted as a strength, although additional information on the approach for calculating the income targets was requested.

Some non-profit housing providers indicated that a number of units in current projects meet the targets set by the proposed definition and that the targets for all unit types would be achievable if Section 37 contributions and other forms of municipal assistance were made available. However, others noted that the proposed definition appeared cumbersome and expressed concerns about data sources and ongoing implementation.

Feedback from the session fell into four themes:

- Support/Need for Affordable Ownership Housing Relative to Rental Housing
- Methodology and Thresholds
- Alignment with Provincial Definitions
- Implementing the Proposed Definition

The following provides staff's comments on these themes. A list of the comments and questions raised by participants has been included in Attachment 2.

COMMENTS

Support/Need for Affordable Ownership Housing Relative to Rental Housing

Open house participants wanted to better understand the households that may be served by the proposed definition. Some people expressed concern that using a different approach to defining affordable ownership from affordable rental housing will increase polarization between tenure and affordability and undermine the City's policies for

prioritizing rental housing. However, it should also be noted that consultation feedback to date has largely supported the need for a different approach to defining affordable ownership housing which considers income and market factors. The current approach for defining rental housing, on the other hand, is working well as it relies on a well-established and accepted industry data source (CMHC Rental Market Surveys), and fits within the context of existing rental housing programs.

Affordable ownership housing is just one type of housing required to address a segment of the City's diverse housing needs. The City has a network of policies and programs to help support a full range of housing options that includes: ownership and rental housing; affordable and mid-range rental and ownership housing; social housing; shared and/or congregate-living arrangements; supportive housing; emergency and transitional housing; and, housing that meets the needs of people with physical disabilities. While primary emphasis has and continues to be placed on rental housing, affordable ownership is also an important and evolving piece in addressing the full range of housing needs.

Market research shows a sizable difference between the affordable house prices under the City's existing Official Plan definition for affordable ownership housing (based on average market rent) and ownership housing options available on the market. The difference in pricing limits the City's ability to encourage the creation of affordable ownership housing units without significant contributions from developers or additional government assistance.

By shifting towards household incomes within the ownership affordability range (30th to 60th), the proposed definition would target moderate income households where there are relatively fewer affordability issues for rental households and greater capacity to move into the ownership market. Additional opportunities for affordable ownership housing can help to ease some of the pressures now faced by the tight rental market.

Renter households continue to face significant affordability issues in the City and policies that focus on this form of housing remains a policy priority. However, rental costs have increased at a lower rate than ownership prices. The growing gap between rental and ownership housing costs reflects key differences in the dynamics of these two segments of the market and supports a different approach for encouraging the provision of more affordable ownership housing options.

Rental housing remains a vital part of the City's housing spectrum and a key policy objective of the Official Plan. An additional study is underway to evaluate the relative financial benefits and costs of affordable rental compared to affordable ownership housing units when secured through the planning process. The findings of this work will provide guidance for the City to assess the overall value of different types of housing units that may be required under the City's large sites policy or accepted as a Section 37 community benefit contribution.

Methodology and Thresholds

Attendees raised questions about the proposed approach for defining affordable ownership housing and how the thresholds would be calculated going forward. Comments were made about the scope of the market analysis, use of factoring and assumptions for identifying the target income groups by unit type. Some questions were raised about whether the definition may be cumbersome to calculate and implement into the future.

The Consultant study analyzed over 10,000 ownership prices to better understand the type of housing being produced and household incomes currently being served by the market. Price data for recent below-market ownership housing units was also examined. This data was used to calculate average price points by unit type across the City, compare where different definitions fall within the market, measure the difference in prices by unit type and determine household incomes served.

Following this analysis, the study recommended that the proposed definition use median household income (or 50th income percentile) to calculate the affordable house price for a two-bedroom unit. Using this as a reference point, prices were adjusted up and down for each unit type (i.e. bachelor, one-bedroom, three-bedrooms, four+ bedrooms), based on market price factors which show the variation in price for different types of units. This price distribution was then used to identify the income required to be able to afford to buy units of each type¹.

As mentioned, focusing primarily on income measures was strongly supported by stakeholders throughout the study process as it provides a better understanding of the households served by the City's policy.

Staff considers that the proposed method is relatively straight forward and easy to update. The identified price points can be escalated each year using appropriate indexes. Every five years, new census data on incomes and shelter costs will be made available. At that point, changes in market prices will be re-examined when establishing current price points by unit type.

The 30th to 60th income percentile was used as the target group for a number of reasons. As identified in the background study, this income range involves a population group that is able to enter the ownership market, although often experiences some financial challenges given the relatively high cost of buying a home. A change in definition to support affordable ownership housing at a slightly higher price point should lead to the creation of more affordable ownership units. This income range is used only as a benchmark for establishing affordable housing prices. These prices, in and of themselves, do not restrict the purchase of these units, or exclude households with incomes below the 30th income percentile from purchasing affordable units. Further work will be undertaken to identify specifics on how the policy will be implemented and

¹ The definition assumes a household spending no more than 30% of their annual income on shelter costs including mortgage principal and interest, and property taxes.

purchasers incomes will be verified in the context of other affordable ownership programs.

Alignment with Provincial Definitions

Some participants raised the question about whether the definition could be harmonized with others (such as those used under the PPS or other provincial funding programs). Still other participants felt that Provincial income and price thresholds were too lax to achieve "below-market" housing in the Toronto context and that below-market limits for the price thresholds are necessary to ensure the City focuses its affordable housing policies on gaps in the current supply of housing and not on promoting more of what the market is already producing.

A key objective in revisiting the Affordable Ownership Housing definition is to encourage the development of units that are not being readily constructed by the market. To stimulate their development, further incentives will likely be required. Due to recent changes made by the City (OPA 214), Affordable Ownership Housing is now viewed as an eligible benefit under Section 37 of the *Planning Act*. However, given the relatively lower price points derived from the existing definition, there has been limited construction of Affordable Ownership Housing (outside of units negotiated on larger sites or for a small number of site-specific proposals). By changing the definition some developers should be able to meet the price thresholds by unit type, and in doing, may be able to contribute some affordable units as community benefits under Section 37. This means that if the affordable price thresholds under the definition are set too high and are easily achievable, the City could be foregoing Section 37 benefits/funds that may be used for other purposes.

Given the limited funds that are typically made available through Section 37 contributions to cover the costs of a range of facilities and services, staff are of the opinion that it's imperative that these resources be used in a wise and equitable manner. This means that there needs to be some assurance that any benefit relating to Affordable Ownership Housing is directed towards projects that otherwise may not have occurred.

Implementing the Proposed Definition

Over the course of the policy review stakeholders identified a number of matters related to how the proposed definition for affordable ownership housing would be applied under the City's Official Plan policies. These concerns were reiterated in comments received as part of the public open house, including the need:

- to protect the ongoing affordability of the ownership units,
- to develop a method for the valuation as Section 37 benefits of affordable ownership units relative to affordable rental housing,
- for clarity on the implementation requirements of developers and housing providers for delivering units as community benefits.

Concerns raised at the public open house relate to matters of implementation, which have been and are continuing to be reviewed and addressed by staff. The following section

outlines Planning's approach to addressing these matters in light of the proposed change to the definition, as well as recent planning applications currently under review.

IMPLEMENTATION

Background

Since approval of the City's existing Official Plan housing policies, staff have identified that the policy implementation work and legal mechanisms to secure long-term affordable ownership housing involve significant challenges and is more complex than securing the provision of affordable rental housing through the planning approval process. Providing and maintaining affordability is a key objective in achieving affordable housing through planning approvals of new developments. This means that affordable home ownership units would maintain affordability over time from one purchaser to the next. While this is a common practise in the United States, there are only a small number of precedents in Toronto. This approach preserves the individual housing unit's affordability in the community it is built, contributing to a mix of affordability within a specific neighbourhood.

In 2009, an interdivisional working group led by Planning, and including staff from the Affordable Housing Office and Legal Division (Municipal and Real Estate) commenced work to scope the range of implementation issues and identify the best legal mechanisms to secure the ongoing affordability of affordable ownership units, as well as the recapture of benefits upon resale. The working group process increased staff understanding of the challenges for both funding programs and securing housing through planning approvals, but in the absence of specific planning applications requiring imminent implementation of affordable ownership units, did not reach clear conclusions.

The City has extensive planning experience securing the provision and ongoing maintenance of affordable rental housing, either to replace demolished rental housing, or as new affordable housing required on the City's "large sites" or as voluntary Section 37 community benefits on smaller sites. The City's experience to date with affordable ownership initiatives has been largely through funding or incentive programs implemented as Section 37 community benefits.

Generally, those initiatives were not based on controlling re-sale prices and maintaining the individual housing unit's affordability in the community in which it was built, and requirements were focused on recapturing the value of the public benefit upon re-sale. Once re-sold, the housing reverts to market. While eventually creating a revolving pool of funds upon repayment, able to be re-invested in affordable housing funding programs, such approaches have not contributed to maintaining a mix of affordability within a specific community.

A few non-profit organizations provide affordable ownership which have a special client focus (such as Artscape and Habitat) are also working on their own mechanisms to allow for the control of re-sales in order to maintain continuity of the affordable units in specific projects. City staff, in conjunction with Habitat for Humanity and Build Toronto

are currently implementing such a place-based approach in Build's recently approved Victoria Park and Gerrard development. It is considered a "large site" under the Official Plan, and 30 affordable ownership units are being secured through Section 37.

Mechanisms are being developed to ensure that re-sales during the 15-year affordability period are conducted through Habitat's processes and will be sold at affordable prices, to qualifying households below specified income ceilings. Subsequently, upon re-sale of any individual unit after the expiry of the affordability period, the value of the Section 37 benefit will be repaid to the City. These examples will assist planning staff to further develop the appropriate implementation framework for securing the provision of affordable ownership units as Section 37 community benefits.

Related Affordable Ownership Programs and Initiatives

Through the Affordable Housing Office, the City has also delivered the Federal – Provincial Affordable Housing Program's Homeownership Component since 2007 in partnership with non-profit affordable ownership developers, such as Options for Homes, Habitat for Humanity, Artscape, and Toronto Community Housing at its revitalization sites. City Council in December 2015 also adopted the *Affordable Housing Open Door Program* and a new Housing Facility By-law with affordability definitions that complement the affordable ownership opportunities available through the Official Plan.

Planning Policy

The City's Section 37 Implementation Guidelines identify key planning principles to be followed when securing community benefits under Section 37 of the Planning Act. The proposed development must represent good planning and meet the intent of the City's Official Plan. The Guidelines direct a place-based approach to the provision of community benefits and require eligible contributions to be durable, capital facilities that have an appropriate relationship to the local community. The City's Guidelines directs the provision of affordable housing through the planning process that supports the creation of complete and mixed-income communities.

Principles for Implementation

As part of the ongoing work on the City's planning policy framework, staff have identified the following principles to guide the provision of affordable ownership housing when secured through the planning process:

- Provide a range of unit types to meet current and future housing needs
- Contribute to a mix of affordable housing options
- Maintain affordability of the units for as long as possible
- Ensure units are provided to households in need through appropriate size, occupancy and income criteria

Staff consider these principles consistent with the existing Official Plan housing policies, as well as input provided during the consultation process on the proposed definition.

Approach

Apart from the affordable ownership definition review, there are a number of related initiatives underway. This includes a review of the City's Official Plan large-site policy requiring an affordable housing component. The findings of these assessments will have implications for how the City will implement the Official Plan definition. A number of other key considerations are also being examined by staff (i.e. in City Planning and the Affordable Housing Office) to facilitate implementation of affordable ownership housing under the City's planning policies. Among other matters, these relate to the following areas.

Affordability Period & Conditions of Resale

It is important that an appropriate method is used to maintain affordability of the units over the long-term, regardless of any change in ownership. The mechanisms selected should secure the community benefit while allowing for a reasonable return on equity for any owner. Although resale control provisions that ensure affordability from one owner to the next can be incorporated in mortgages registered on a home, this requires an administrator to manage the resale process. This approach has been implemented by Artscape and will be used by Habitat for Humanity at Build Toronto's Victoria Park property. Staff is investigating alternatives to identify available mechanisms to secure conditions of resale. However, most such examples are in the United States, and without a comprehensive legal framework under Provincial legislation and related municipal authority to accomplish this objective, securing the needed terms and conditions is being considered on a project-by-project basis.

In the absence of a clear streamlined option, the City has requested through the *City of Toronto Act* review process a request for the Province to provide a more robust real estate legal framework to permit 'positive covenants' to assist with resale controls for affordable ownership units.

Household Eligibility to Purchase

Factors under consideration include: a minimum household size for each type of unit; a maximum household income by unit type; and restrictions to require owner-occupancy of the units. Research shows that the additional costs of ownership housing for individual purchasers and a household's ability to secure financing need to be considered in establishing maximum income criteria.

Recapturing of Benefits on Re-sale or Re-mortgaging

Discussions are also underway to see that appropriate mechanisms are employed to ensure accountability and transparency in the process. Among other matters, this would include identifying the best means to ensure that the Section 37 community benefit is eventually transferred back to the City, rather than residing solely with the individual home purchasers.

Role of Non-Profit Partner and Private Developers

The development of affordable ownership housing provides unique opportunities for the partnering of the private development and non-profit sectors. The respective roles and responsibilities of each party in the process need to be clearly laid out. Project-specific issues which will require clarification, among others, include: the administration and ongoing operation of the project; type of support offered to homeowners; the degree of oversight provided; the means for controlling resale prices; compliance with and timing of other conditions of planning approval; and, whether any obligations will be transferred to other parties.

Administration and Legal Matters

The implementation of affordable ownership housing projects require additional administration to be carried out by City staff and/or partner agencies developing housing projects. This includes: review of relevant documents regarding unit sales, appraisals, screening of eligible purchasers, monitoring compliance, repayment of benefits, legal instruments etc. These arrangements are often complex, particularly where multiple parties (i.e. City, non-profits and private developers), and different development models are involved.

One legal issue that continues to surface is the matter of legal authority to require and secure affordable ownership housing. The City, along with other municipalities, has repeatedly asked the Province for inclusionary zoning/housing powers to require that a percentage of units in new developments be provided as affordable housing. Such legislation would also provide greater authority for municipalities to deal with administration matters, such as controlling the resale prices of affordable ownership units over time.

CONCLUSIONS

As requested by Committee, a public consultation open house was held to obtain further input on the proposed amendment to the Official Plan definition of Affordable Ownership Housing and the report responds to the questions/comments raised. While no changes are being recommended to the proposed definition, input from the consultation has provided useful insight for development of the City's implementation framework. Staff will continue to work to refine the process and address outstanding matters as the proposed definition moves through the approval process.

Planning will be reporting out on other housing policy matters under review as part of the Official Plan Review in 2016. Additional work is also in progress to address requirements for suitable units and associated amenities to accommodate families and larger households in new developments.

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. This report recommends the proposed definition provided as Attachment 1 be considered at a statutory public hearing by the Planning and Growth Management Committee at the next possible meeting in May 2016.

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SIGNATURE

Jennifer Keesmaat, MES, MCIP, RPP
Chief Planner and Executive Director
City Planning Division

ATTACHMENTS

Attachment 1: Proposed Official Plan Amendment
Attachment 2: Comments from the Public Open House – July 29, 2015
Attachment 3: 2015 Affordable Ownership Price Points – Proposed, Existing and Provincial Definition

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Attachment 1: Proposed Official Plan Amendment

Enacted by Council: ~, 20~

CITY OF TORONTO

Bill No. ~

BY-LAW No. ~ -20~

To adopt Amendment No. ~ to the Official Plan of the City of Toronto respecting the *Affordable Ownership Housing* definition

WHEREAS authority is given to Council under the *Planning Act*, R.S.O. 1990, c.P. 13, as amended, to pass this By-law; and

WHEREAS Council of the City of Toronto has provided information to the public, held a public meeting in accordance with Section 17 of the *Planning Act* and held a special public meeting in accordance with the requirements of Section 26 of the *Planning Act*;

The Council of the City of Toronto enacts:

1. The attached Amendment No. ~ to the Official Plan of the City of Toronto is hereby adopted.

ENACTED AND PASSED this ~ day of ~, A.D. 20~.

JOHN TORY
Mayor

Ulli S. Watkiss
City Clerk

(Corporate Seal)

AMENDMENT NO. 293 TO THE OFFICIAL PLAN
OF THE CITY OF TORONTO

The following text constitutes Amendment No. 293 to the Official Plan of the City of Toronto

1. Section 3.2.1 Housing, Housing Definitions is amended by deleting the following existing definition of *Affordable Ownership Housing*

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 Canada Mortgage and Housing Corporation. Affordable ownership price includes GST and any other mandatory costs associated with purchasing the unit.

And replacing it with the following text:

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: Comments from the Public Open House – July 29, 2015

On July 29, 2015, a public open house consultation was held on the proposed revisions to the Official Plan definition for Affordable Ownership Housing. The following provides a list of comments and questions raised by participants

- The City should be prioritizing affordable housing for additional height and density
- How many households are being targeted by the definitions, what is the size of the population served?
- Definition does not address citizens living on social assistance and shuts out rental tenants from home ownership
- Decoupling of the revised definition of affordable ownership housing from affordable rental housing will contribute to further polarization between tenure and affordability
- A strength of the definition is that it's broken down by unit types and is tied to the market
- More information would be helpful on the market price analysis and assumptions used for the targeted income groups
- Use of median income as a scale for the definition is an appropriate approach that is widely used elsewhere in definitions of affordability and poverty
- Other affordable ownership models (developed by community groups) have been able to achieve lower price points than some of the larger non-profit housing organizations
- Why can't the definition be harmonized with definitions used for other housing programs delivered by the City and provincial funding programs?
- Provincial definition's use of income and price thresholds are too lax to achieve "below-market" housing
- Below-market limits for the price thresholds are necessary to ensure the City focuses its affordable housing policies on gaps in the current supply of housing, and not on promoting more of what the market is already producing
- How long are the units going to be affordable? Is it the first owner that gets the benefit? How will the community benefit be maintained over time?
- How is the resale price determined and administered?
- Affordability of the affordable ownership units should be protected by effective controls that set limits on the resale price and income eligibility requirements.
- Without resale protections the affordable ownership units will be lost to the marketplace, and only the first owner will benefit

Attachment 3: 2015 Affordable Ownership Price Points – Proposed, Existing and Provincial Definition

Unit Type	Current OP Definition	Proposed OP Definition	Est. Provincial Definition (Income)*
Bachelor	\$155,378	\$166,000	\$336,000*
1 Bedroom	\$185,106	\$214,000	
2 Bedroom	\$218,463	\$270,000	
3 Bedroom	\$254,067	\$303,000	
4+ Bedroom	\$270,141	\$336,000	
<p>*Estimated Provincial definition price is based on the 60th income percentile for the City of Toronto calculated using Statistics Canada 2011 National Household Survey, indexed to 2014 using an annual compounding factor for the 10yr average increase in median income.</p>			