



Proposed Official Plan Amendment to the City's Affordable and Mid-range Rent Definitions

Date: September 8, 2020

To: Planning and Housing Committee

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

Wards: All

SUMMARY

This report presents a proposed Official Plan Amendment to change the definition of Affordable Rental Housing and Affordable Rents in Section 3.2.1 of the Official Plan for the purpose of public and stakeholder consultation by adding an income based approach to the definition. This report also presents an amendment to the definition of Mid-range Rents by introducing two mid-range rent bands to maintain the City's ability to replace existing rental units with replacement rental units at similar rents.

Affordable rental housing units are typically secured within new private, including non-profit, housing developments through various means. These units are meant to provide housing that is more affordable to low and moderate-income households than typical private market housing. The City intends to implement this new definition of affordable housing and mid-range rents through a number of policies and housing programs. Of note, Official Plan policies that employ the affordable housing definition include rental replacement policies, the large site policy, and when securing new affordable housing as a Section 37 community benefit. It is also proposed that the affordable housing definition would be used to identify maximum rents and eligible income ranges for new units secured through draft Inclusionary Zoning policies. Housing programs such as Housing Now and Open Door also use the affordable housing definition when setting rents. The City often works to layer together affordable housing policies and programs in order to deepen or extend the affordability of units secured through agreements with the City.

The Official Plan currently defines Affordable Rental Housing and Affordable Rents as housing where the total monthly shelter cost (gross monthly rent including utilities) is at or below the Average Market Rent (AMR) for the City of Toronto by unit type, as reported annually by the Canada Mortgage and Housing Corporation (CMHC).

The proposed Official Plan Amendment would revise this definition to better reflect both renter household incomes and current rental market data. The proposed definition

would set rents and corresponding household income ranges on an annual basis where the total monthly shelter cost is the least expensive of 100% of Average Market Rent (AMR) by unit type (as published annually by Canada Mortgage and Housing Corporation), and which is affordable to:

- for bachelor units, households earning between the 20th and 50th percentile income for one-person renter households;
- for one-bedroom units, households earning between the 30th and 60th percentile income for one-person renter households;
- for two-bedroom units, households earning between the 30th and 60th percentile income for two-person renter households;
- for three-bedroom units, households earning between the 30th and 60th percentile income for three-person renter households.

The definition would calculate affordability based on a set income percentile paying no more than 30% of income towards shelter costs (inclusive of utilities).

The proposed change to the existing definition would:

- respond to feedback received during the consultation on HousingTO 2020-2030 Action Plan to reorient the affordable rental housing definition towards household income rather than average market rent.
- be more reflective of the ability of low and moderate-income renter households to pay for housing in Toronto's housing market by ensuring affordable rents are pegged to the least expensive indicator - low to moderate household incomes or average market rents - for a given year;
- reflect a range of household incomes that should be served by affordable rental housing units;
- enable the definition to respond to changes in both renter household incomes and market rents, as average market rents have risen significantly faster than income over the past twenty years, the proposed definition would protect against future market or income fluctuations; and
- be consistent with the definition in the Provincial Policy Statement.

The proposed Official Plan Amendment implements the HousingTO 2020-2030 Action Plan, which directs the City to review options for a definition of affordable rental housing and affordable rents based on 30% of gross household income, consistent with the federal government's definition of affordable housing.

The report also includes a recommendation to report back on a revised affordable ownership housing definition. A proposed definition was previously provided as the basis for public consultation as part of the proposed Inclusionary Zoning policy directions.

The report highlights a number of trends in income and rental growth. A fuller picture of the impacts on Covid-19 on Toronto's rental market is expected as part of Canada Mortgage and Housing Corporation's (CMHC) fall rental market report and will be used to inform the final recommendations to Planning and Housing Committee. Due to Covid-19 delays, CMHC estimates that this report will be released in January 2021.

Given the community interest in the affordable housing definition, a consultation approach to gather feedback on the proposed affordable housing and mid-range rent definitions would be advanced along with the proposed Official Plan Amendment and Zoning By-law Amendment for Inclusionary Zoning (report under separate cover) to enable comprehensive feedback on these two key affordable housing initiatives.

RECOMMENDATIONS

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

1. Planning and Housing Committee direct that the proposed Official Plan Amendment containing the Affordable Rental Housing and Affordable Rents definition, appended as Attachment 1 to this report, and the proposed Official Plan Amendment with the Mid-range Rents definition, appended as Attachment 2 to this report, be endorsed as the basis for public consultation.
2. Planning and Housing Committee direct City Planning staff in consultation with the Housing Secretariat to conduct consultations and meet with key stakeholders including housing advocates and the development community to obtain comments and feedback on the proposed Affordable Rental Housing and Affordable Rents definitions contained in Attachment 1 and the Mid-range Rents definition contained in Attachment 2.
3. Planning and Housing Committee request the Chief Planner and Executive Director, City Planning to bring forward a Final Recommendation Report in the first half of 2021 with recommended Official Plan Amendments to revise the Affordable Rental Housing and Affordable Rents definition, Mid-range Rents definition, and the Affordable Ownership Housing definition.

FINANCIAL IMPACT

The City Planning Division confirms that there are no financial implications resulting from the recommendations included in the report in the current budget year or in future years.

Equity Impact Statement

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. Access to safe, good quality and affordable housing is also 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. Adequate and affordable housing is also the cornerstone of inclusive neighbourhoods and supports the environmental and economic health of the city, region and country as a whole. As part

of the consultation program for the definition of Affordable Rental Housing and Affordable Rents, and Mid-range Rents, staff will be engaging with equity-seeking and marginalized groups and organizations.

DECISION HISTORY

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'.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH11.5>

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>

COMMENTS

Background

Residents in Toronto have a variety of housing needs and household incomes. A healthy housing system for Toronto would include a full range of housing options across the housing continuum, sufficient to meet the affordability needs of all its residents.

Generally, housing affordability is understood as a household having the ability to pay for housing at an established or asking price in the housing market. Housing is generally considered to be 'affordable' when a household spends less than 30% of its income on housing-related costs. Many forms of housing can be considered "affordable", including transitional housing, social housing, and private housing at or below market rates.

Affordable Rental housing, as currently defined in the City's Official Plan, is 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 the average City of Toronto rent, by unit type (number of bedrooms). Affordable housing units are often typically secured in new private housing developments but can also be secured in non-profit or publicly sponsored housing developments.

In updating the definition of affordable housing, it is important to note that this definition and its associated use, is distinct from social housing. Social housing is housing that is funded under government programs that provided comprehensive funding or financing arrangements, including on-going operating subsidies. This enables social housing to

provide rents-geared-to-incomes, meaning rents are based on an individual household's ability to pay, rather than a predetermined affordability level. Social housing generally serves lower-income households than affordable housing does. Government programs that funded this type of housing ended in the 1990s, despite wait-lists growing to over 102,000 households.

Since then new affordable rental housing supply has become an important part of the housing system in Toronto. Affordable housing can help low- and moderate-income households, who may not qualify for, or cannot access, social housing, find more affordable options than those available in the private rental market.

The health of our housing system is greatly affected by new supply across the whole continuum and is impacted by factors such as how the location, unit type and depth of affordability meets the needs of residents. Supply constraints among one housing type will impact demand for other housing types. For example, a shortage of social housing units and a growing wait-list is placing increasing demands on both affordable and market rental housing as the next most affordable alternative. This trend coupled with a low rental vacancy rate of 1.5% has put significant upward pressure on rents.

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 definition of affordable housing based on AMR had left too many low-income residents unable to afford new affordable housing. As a result, the HousingTO 2020-2030 Action Plan includes an action item to review options for a revised definition of affordable housing based on 30% of gross household income, consistent with the federal definition, in the delivery of new affordable housing. Paying no more than 30% of household income towards shelter costs is a long-standing affordability benchmark.

As part of the development of an Inclusionary Zoning Policy, City Council directed staff to develop options for implementing and administering an income-based alternative for defining affordable rental housing.

Current Definition of Affordable Rental Housing and Affordable Rent

The City's current definition of Affordable Rental Housing and Affordable Rents is housing where the total monthly shelter cost is at or below the average City of Toronto rent, by unit type, as reported annually by the Canada Mortgage and Housing Corporation (CMHC). Table 1 lists the City's current affordable rent limits by bedroom type.

Table 1: 2020 Affordable rent limits

Unit Type	2020 Affordable Rent Limit
Bachelor	\$1,148
One-Bedroom	\$1,374
Two-Bedroom	\$1,591

Unit Type	2020 Affordable Rent Limit
Two-Bedroom Townhouse	\$1,683
Three-Bedroom	\$1,759
Three-Bedroom Townhouse	\$1,733

The Average Market Rent (AMR), as reported by CMHC, 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). 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.

In contrast, 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 rents are higher than AMRs.

Over the past twenty years, asking rents and AMRs in Toronto have risen at a significantly faster rate than incomes. This has meant that affordable rents, as defined in the Official Plan, have become out of reach for many low- and moderate-income residents.

Renter household income data is available via Statistics Canada's Census program and is usually released every five years. Between Census years, the median household income in Toronto can be estimated using the most recent census result and the consumer price index. For example, we do not yet know the median household income for 2020 (which will be collected and published as part of the 2021 Census), but we can use the 2015 median household income (from the 2016 Census) and adjust it based on changes to the consumer price index between 2015 and 2020. This provides an estimate of what we might expect the median household income to be in 2020 under traditional economic circumstances.

Between 2000 and 2020 median renter household income, and average market rents in Toronto have grown at the following rates:

Table 2: Growth of Renter Household Incomes vs. Average Market Rent Prices

	2000	2020	Annual Growth	Total Growth
January Consumer Price Index (Toronto)	93.1	139.9	2.0%	50.3%
50th Percentile renter household income (all household sizes)*	\$35,271	\$50,397	1.7%	42.9%

	2000	2020	Annual Growth	Total Growth
Bachelor rent	\$626	\$1,148	2.9%	83.4%
One-bedroom rent	\$772	\$1,374	2.8%	78.0%
50th Percentile one-person renter household income	\$25,216	\$32,232	1.2%	27.8%
Two-bedroom rent	\$925	\$1,591	2.6%	72.0%
50th Percentile two-person renter household income	\$41,958	\$59,598	1.7%	42.0%
Three-bedroom rent	\$1,105	\$1,759	2.2%	59.2%
50th Percentile three-person renter household income	\$40,733	\$61,732	2.0%	51.6%

* Median renter household incomes are estimated based on the 2001 and 2016 census results and adjusted using the annual Consumer Price Index for the City of Toronto.

In 2000, a median renter household could have afforded a monthly rent of up to \$881 based on paying no more than 30% of their gross income on rent. This means that a median renter household could have afforded either a bachelor or one-bedroom unit at average market rents.

For 2020, we estimate that the median renter household could afford a monthly rent of up to \$1,260 based on paying no more than 30% of their gross income on rent. This means that a median renter household would only be able to afford a bachelor unit.

Social Housing in Toronto

The City of Toronto administers social housing units through agreements with Toronto Community Housing and non-profit housing providers. This is generally provided through three types of housing:

Rent-Geared-to-Income (RGI): RGI units are designated social housing units in which rents are set at a fixed percentage (approximately 30%) of a household's total monthly income before taxes and adjustments. If a household living in RGI housing has paid the equivalent of market rent for one year, they are no longer eligible for an RGI subsidy. When a household living in social housing ceases to qualify for RGI assistance, they are entitled to stay in their unit but will be charged market rent.

Affordable housing: Affordable units provided by vary in size and rental rates. Rent is set at or below AMR. To qualify for an affordable rental unit, an applicant's gross annual household income cannot exceed four times (4X) the annual rent of the unit they are applying for.

A recent project by Toronto Community Housing at 150 River Street included eight (8) two-bedroom units rented at \$1,194 per month (maximum household income of \$57,312) and twenty-five (25) three-bedroom units rented at \$1,331 per month (maximum household income of \$63,888).

Market housing: Market rents in social housing buildings are typically set according to AMR by unit type in the City of Toronto.

Provincial Policy Framework

The *Planning Act* (Section 2) identifies the adequate provision of a full range of housing, including affordable housing, as a provincial interest.

The Provincial Policy Statement, 2020 (PPS) states that planning authorities shall provide for an appropriate range and mix of housing options to meet projected market-based and affordable housing needs of current and future residents, including 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.

A Place to Grow: Growth Plan for the Greater Golden Horseshoe, 2019 (the Growth Plan) came into effect on May 16, 2019. The Growth Plan contains policies to support the development of affordable housing and a diverse range of housing options to accommodate the needs of all household sizes and incomes, at all stages of life. The proposed Amendment 1 to the Growth Plan maintains the affordable housing policies.

The Residential Tenancies Act, 2006 (RTA) provides protections for residential tenants and establishes a framework for the regulation of rental units.

Provincial Definition of Affordable Rent

The Provincial Policy Statement, 2020 (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 further 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.

Municipal Policy and Planning Framework

Official Plan

Section 3.2.1 of the Official Plan contains the following definition for affordable rental housing and affordable rents:

"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. "

The definition for mid-range rents is:

"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."

Other Jurisdictions

Many jurisdictions have established definitions and/or targets for social, affordable and moderate rental housing. Many jurisdictions have adopted an affordable rent definition related to incomes. This helps prevent affordable rents from growing faster than incomes. A jurisdictional scan is attached as Attachment 3.

The City of Vancouver has a definition of social housing which it uses for units delivered under inclusionary zoning and also for its financial incentive programs. The units must be owned and/or operated by a government or non-profit partner, where at least 30% of the units are for residents who pay no more than 30% of their income on rent, and where the maximum household income is no more than the BC Housing Income limits (published annually by BC Housing).

It has also established a Moderate Income Rental Housing Pilot Program. This program permanently secures new private rental housing for moderate-income households. Vancouver currently 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 (corresponding to an income of \$38,000)
- One-bedroom: \$1,250 (corresponding to an income of \$48,000)
- Two-bedroom: \$1,600 (corresponding to an income of \$64,000)
- Three-bedroom: \$2,000 (corresponding to an income of \$80,000)

La Ville de Montréal (City of Montréal) recently established the By-law for a Diverse Metropolis, which requires the provision of both social housing and affordable housing in new developments. Under the By-law, rental housing is considered "affordable" when rent falls below the ceilings defined by the by-law, which are equal to, or slightly lower than, the market prices of rental housing of modest design. The By-law's affordable rent ceilings vary by location and unit type, and range between \$585 and \$2,000 per month (corresponding to household incomes of \$23,400 to \$80,000).

Many jurisdictions have adopted an affordable rent definition related to incomes. This helps prevent affordable rents from growing faster than incomes. A jurisdictional scan is attached as Attachment 3.

Proposed Official Plan Amendment - Revisions to Affordable Rental Definition

The proposed definition defines Affordable Rental Housing and Affordable Rents as:

"refers to housing that is intended to cost less than 30% of households' before-tax income in the City of Toronto, and where the total monthly shelter cost (gross monthly rent including utilities – heat, hydro and hot water – but excluding parking, internet and cable television charges) is the least expensive of 100% of Average Market Rent (AMR) by unit type, as reported annually by the Canada Mortgage and Housing Corporation (CMHC), and which is affordable to:

- (1) for bachelor units, households earning between the 20th and 50th percentile income for one-person renter households;
- (2) for one-bedroom units, households earning between the 30th and 60th percentile income for one-person renter households;
- (3) for two-bedroom units, households earning between the 30th and 60th percentile income for two-person renter households;
- (4) for three-bedroom units, households earning between the 30th and 60th percentile income for three-person renter households."

The proposed definition establishes a new minimum affordable rent in order to better define the range of rents that the City will look to secure when securing new affordable rental units.

Based on the proposed approach, for 2020, Table 1 below shows the household income ranges and affordable rent limits that would apply. The associated rents that households could afford are provided in brackets and are based on the assumption that households wouldn't pay more than 30% of their before-tax income on housing. Under the current definition, incomes that could afford average market rents are provided as a comparison. Based on income and rent indicators for 2020, the maximum affordable rent for bachelor and one-bedroom units is based on income. For two- and three-bedroom units the maximum rent is capped at average market rents (as rents affordable to the 60th percentile of income would exceed average market rents).

Table 1: Proposed Household Incomes and Affordable Rents

Unit Type	Current Definition	Proposed Minimum Household Income and Affordable Rent	Proposed Maximum Household Income and Affordable Rent
Bachelor	\$45,920 (\$1,148)	\$15,269 (\$382)	\$32,232 (\$806)

Unit Type	Current Definition	Proposed Minimum Household Income and Affordable Rent	Proposed Maximum Household Income and Affordable Rent
One-Bedroom	\$54,960 (\$1,374)	\$19,649 (\$491)	\$43,244 (\$1,081)
Two-Bedroom	\$63,640 (\$1,591)	\$36,871 (\$922)	\$63,640 (\$1,591)
Three-Bedroom	\$70,360 (\$1,759)	\$41,542 (\$1,038)	\$70,360 (\$1,759)

Under the current definition, maximum affordable rents are considered affordable to households earning between \$45,920 and \$70,360, corresponding to renter households in approximately the 46th percentile to 66th percentile of all renter households.

Under the updated definition, maximum affordable rents would be affordable to households earning between \$32,232 and \$70,360, corresponding to renter households in approximately the 32nd percentile to 66th percentile of all renter households.

The proposed Affordable Rental Housing and Affordable Rents definitions would be consistent with the definition in the PPS as maximum rents would be set at the lower of Average Market Rents by unit type and what is affordable to households with incomes in the lowest 60 percentile of income.

The proposed Official Plan definition would better reflect low- and moderate-income households' ability to pay for housing. The units secured under this proposed definition would provide housing that is more affordable to low- and moderate-income households for whom market housing is out of reach but who are not able to access subsidized or social housing.

Government programs that provide funding or subsidies can help achieve deeper affordability, which help to address the housing needs of lower-income households who need housing that is affordable to households below the 20th to 30th percentiles of income.

The revised Affordable Rental Housing and Affordable Rents definition proposed for consultation are included as Attachment 1.

Additional Options

City Staff have also considered other changes to the affordable housing definition. For example, the City has examined a definition without the inclusion of a cap set at AMR and based only on income tiers. The benefits of such an approach is it would provide a

streamlined definition that would respond to specific renter household incomes. However, such a definition would mean that affordable rents could be higher than current market rents, since AMR would no longer represent a ceiling on rents. One of the benefits of including AMR as a cap is to ensure that maximum affordable rents are not higher than what currently exists in the market and take into account future income and rent fluctuations.

During public and stakeholder consultation, City staff will explain and discuss all possible approaches, such as income only approaches and the inclusion of AMR as a ceiling on rents. One of the key objectives for a new affordable rent definition is that it should be easily understood by the public and help improve affordability for Torontonians. All options for a new definition will also address how implementation would be rolled out in order to ensure a seamless transition for the public and stakeholders.

Proposed Mid-Range Rental Housing Bands

A new Mid-range Rent definition is proposed. Should a new definition come into force, a gap would exist between the maximum rent in the proposed 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 proposed to introduce two mid-range rent tiers. A similar approach was taken in developing the City's Council-approved dwelling room replacement policies.

The proposed mid-range rental housing tiers are included as Attachment 2 to this report and are summarized below:

- **Mid-range tier 1 rents:** Rent between the City's affordable rental housing and affordable rents definition and 100% of average market rent by unit type;
- **Mid-range tier 2 rents:** Rent between 101% and 150% of average market rent by unit type;

Based on the proposed approach, the following mid-range rent tiers would apply for 2020:

Unit Type	Mid-Range Tier 1 (up to 100% of AMR)	Mid-Range Tier 2 Maximum (150% of AMR)
Bachelor	\$807 - \$1,148	\$1,149 - \$1,722
One-Bedroom	\$1,081 - \$1,374	\$1,375 - \$2,061
Two-Bedroom	N/A	\$1,591 - \$2,387
Three-Bedroom	N/A	\$1,759 - \$2,639

Affordable Ownership Definition

The City has also developed a revised definition of affordable ownership housing. A proposed Official Plan Amendment for a new definition of affordable ownership housing was included as part of the Inclusionary Zoning Official Plan Policy Directions report submitted to the Planning and Housing Committee in 2019 and was consulted on in mid-to-late 2019:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.PH10.3>.

A recommended revised definition of affordable ownership housing will be reported on with the recommended revised definitions for Affordable Rental Housing, Affordable Rents, and Mid-range Rents.

Impacted Policies and Programs

A number of City policies and programs rely on the definition of affordable housing. The City secures affordable housing units through the development process, as well as through the development of city land and provision of financial incentives. When the City secures an affordable unit, it enters into an agreement with the developer or housing operator to manage and operate the rental housing, limiting the rent to the affordable rent level for a specified period of time (e.g. 15 years). Typically, when securing new affordable rental housing units, there are several key factors that affect the outcome:

- Affordability level (i.e. level to which rents are below average market rates to make them affordable to low and moderate income households);
- Market rent levels in the area for the development;
- Term of affordability (e.g. 15, 40 or 99 years); and
- Number and type of units and/or gross floor area secured.

Generally, the level of affordable housing that can be accommodated within a new development, in the absence of government funding or incentives, is relatively fixed. This is because many inputs in a development financial pro forma are set, such as hard and soft costs, revenue, profit expectations and so on. The provision of affordable housing would be factored in to a development pro forma as a cost associated with the regulatory context.

Each of the factors above impacts the feasibility of providing affordable rental units instead of market units:

- Limiting the rent charged for affordable rental units results in a larger difference (ie less revenue) between what would be collected for the affordable rents versus the market rent for the units;
- Increasing the term of affordability results in affordable rents being collected for a longer period of time instead of market rents;
- Increasing the number and/or size of units can also reduce the potential revenue for an owner, as the rent per square foot is sometimes lower for larger units than it is for smaller units.

Increasing one of these factors typically requires a trade off with one of the other factors. For example, increasing the depth of affordability could result in a more limited term of affordability or securing fewer or smaller affordable housing units.

City Council, in adopting the HousingTO Action Plan, at its meeting of December 17, 2019, also adopted the principle that the affordability period for any affordable rental housing built on City land or receiving City funding, subsidy, or incentives shall be permanent, wherever possible. This means there is already a Council priority to increase the length of the affordability period secured for new affordable rental units.

In comparison to the current definition, the proposed definition, if applied in 2020, would lead to lower affordable rents for bachelor and one-bedroom units, as income ranges for these household sizes are already quite low. Rents for two-bedroom and three-bedroom units would be set at no more than average market rents, as income ranges for these household sizes are comparatively higher.

Because the definition impacts a number of policies and programs, it will be important for interdivisional partners to collaborate in order to fully assess potential impacts as the new definition is refined through stakeholder and public consultation.

Programs and policies that will be impacted by the revised affordable housing definition include the following:

Official Plan policies

Inclusionary Zoning: The proposed definition is intended to be used to identify eligible incomes and maximum rents as part of the draft inclusionary zoning policy, which would secure affordable housing units within new private developments. The proposed inclusionary zoning policy leverages existing land values to provide new affordable housing units.

Rental Housing Replacement (Official Plan Policy 3.2.1.6 and Chapter 667 of the Toronto Municipal Code): Under Chapter 667 of the Toronto Municipal Code, the City can require replacement of rental housing units proposed to be demolished. Pursuant to Official Plan policy 3.2.1.6, when six (6) or more rental housing units are proposed to be demolished, the City may refuse the application unless all of the units are replaced in the new development at similar rents or unless all of the units have rents that exceed affordable or mid-range rents, as defined in the Official Plan. Since 2007, under these policies, the City has secured 3,571 rental replacement units.

The City currently replaces units based on their rent at the time of application (affordable rent, mid-range rent, or high-end rent). Lowering the affordable rent limit for bachelor and one-bedroom units will lead to fewer units qualifying as affordable units, instead qualifying as mid-range units.

To maintain the City's ability to replace affordable and mid-range rental units with a range of rents, a proposed mid-range rents definition has been included as Attachment 2 to this report. Overall there will be no impact to the total number of units protected based on the proposed definitions.

Section 37 Agreements (including Large Site Policy): Affordable housing can be secured as a community benefit pursuant to Section 37 of the Planning Act and is the first priority community benefit to be secured at large sites pursuant to policy 3.2.1.9 of the Official Plan. The impact of a proposed new community benefits charge on securing affordable housing is still being evaluated.

Since 2013 the City has secured 1,738 new affordable rental units via Section 37 agreements (707 of which were delivered via the large site policy). Affordable housing secured through Section 37 must be agreed to by the applicant. In light of the fact that such contributions are negotiated and voluntary, the City has typically secured affordable housing at 100% of AMR via Section 37 agreements.

Based on 2020 figures, the proposed definition would require more Section 37 contributions to secure the same number of affordable bachelor and one-bedroom units. This would mean that fewer overall units and / or smaller units would be secured with the same quantum of Section 37.

City Housing Programs

Open Door Funding: The Open Door program supports the creation of affordable rental housing units. 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.

Housing Now: 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 program will be affordable for households earning between \$21,000 and \$52,000 per year. Staff will update the affordability benchmarks following Council consideration of the new definition of affordable housing and seek Council approval for any proposed changes to the program.

Next Steps

Consultation on the draft definitions of affordable rental housing and affordable rents, and mid-range rents, is proposed to be carried out in conjunction with the planned consultations on the draft Inclusionary Zoning policies. This consultation program is proposed to start in the fall of 2020 and continue through Q1 2021.

The consultation process would include public and stakeholder consultation to ensure a broad group of perspectives are considered, including the development industry, non-profit housing organizations, housing and homelessness advocacy groups, residents and tenant associations, indigenous housing groups, people with lived experience of poverty, and equity seeking and marginalized groups, among others.

The results of the stakeholder and public consultation process are targeted for consideration by the Planning and Housing Committee in the first half of 2021. A Final Recommendation Report with a recommended Official Plan Amendment containing revised definitions for affordable rental housing and affordable rents, mid-range rents, and affordable ownership housing would be brought forward at the same time.

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ATTACHMENTS

Attachment 1: Draft Official Plan Amendment (Affordable rental housing and affordable rents definition)

Attachment 2: Draft Official Plan Amendment (Mid-range rents definition)

Attachment 3: Draft Official Plan Amendment (Affordable ownership housing definition)

Attachment 4: Jurisdictional Scan

Attachment 1: Draft Official Plan Amendment (Affordable rental housing and affordable rents definition)

City of Toronto By-law No. ~-20~

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

Section 3.2.1 Housing, is amended by changing the definition of Affordable Rental Housing and Affordable Rents to "**Affordable rental housing and affordable rents** refers to housing that is intended to cost less than 30% of households' before-tax income in the City of Toronto, and where the total monthly shelter cost (gross monthly rent including utilities – heat, hydro and hot water – but excluding parking, internet and cable television charges) is the least expensive of 100% of Average Market Rent (AMR) by unit type, as reported annually by the Canada Mortgage and Housing Corporation (CMHC), and which is affordable to:

- (1) for bachelor units, households earning between the 20th and 50th percentile income for one-person renter households;
- (2) for one-bedroom units, households earning between the 30th and 60th percentile income for one-person renter households;
- (3) for two-bedroom units, households earning between the 30th and 60th percentile income for two-person renter households;
- (4) for three-bedroom units, households earning between the 30th and 60th percentile income for three-person renter households."

Attachment 2: Draft Official Plan Amendment (Mid-range rents definition)

City of Toronto By-law No. ~-20~

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

Section 3.2.1 Housing, is amended by removing the **Mid-range rents** definition, and adding the following as "Housing Definitions":

"Mid-range tier 1 rents are the total monthly shelter costs that exceed affordable rents but are at or below 100% of the average City of Toronto rent, by unit type, as reported annually by Canada Mortgage and Housing Corporation.

Mid-range tier 2 rents are the total monthly shelter costs that are between 101% and 150% of the average City of Toronto rent, by unit type, as reported annually by Canada Mortgage and Housing Corporation."

Attachment 3: Draft Official Plan Amendment (Affordable Ownership Housing Definition)

City of Toronto By-law No. ~-20~

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

Section 3.2.1 Housing, is amended by changing the definition of Affordable ownership housing to "**Affordable ownership housing**" is housing which is priced at or below an amount where the total monthly shelter cost (mortgage principal plus 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) 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:

- (1) bachelor units must be affordable to households with incomes no higher than the 30th percentile;
- (2) one bedroom units must be affordable to households with incomes no higher than the 40th percentile;
- (3) two bedroom units must be affordable to households with incomes no higher than the 50th percentile; and
- (4) three bedroom units must be affordable to households with incomes no higher than the 60th percentile.

Attachment 4: Jurisdictional Scan

Jurisdiction	Basis for Definition	Definition	Incomes Served
Province of Ontario	Income and Market Rents	<p>The Provincial Policy Statement defines affordable rental housing as the least expensive of:</p> <ul style="list-style-type: none"> • 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 average market rent of a unit in the regional market area. 	Households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.
Canada Mortgage and Housing Corporation	AMR	<p><i>"Affordability is defined as having rents for the project that are at or below 80% of CMHC Average Market Rent (AMR) at the time of occupancy... While individual unit rents may be set above or below the 80% threshold, in no instance shall an IAH (2014 Extension) funded unit have a rent that is greater than the CMHC AMR for the area."</i></p>	N/A - no income requirements.
Ville de Montreal (Québec)	Market Rents	<p>Under Montreal's By-law for a diverse metropolis, affordable rent is defined as rent equal to or slightly lower than the market prices of housing of modest design.</p>	<p>Affordable rents in Montreal are set based on the area and unit type. Affordable rents range from \$585 for a bachelor unit in the periphery of Montreal to \$2,000 for three-bedroom unit in either downtown or a central neighbourhood.</p> <p>These rents correspond to incomes of \$23,400 to \$80,000.</p>

Jurisdiction	Basis for Definition	Definition	Incomes Served
BC Housing	Average Market Rents	<p>BC Housing sets income limits for households to qualify for social housing in the province.</p> <p>Income limits are defined as the income required to pay average market rent for an appropriately sized unit in the private market.</p>	The 2019 income limits set by BC Housing for Vancouver ranged from \$51,500 for 1-bedroom or smaller units to \$83,500 for 4+ bedroom units.

Jurisdiction	Basis for Definition	Definition	Incomes Served
City of Vancouver (British Columbia)	Income	<p>The City of Vancouver uses a definition of social housing for units delivered under inclusionary zoning and also for its financial incentive programs. The units must be owned and/or operated by a government or non-profit partner, where at least 30% of the units are for residents who pay no more than 30% of their income on rent, and where the maximum household income is no more than the BC Housing Income limits (published annually by BC Housing).</p> <p>The City has also established the Moderate Income Rental Housing Pilot Program (MIRHPP).</p> <p>The MIRHPP is meant to address the gap between social housing and market rents by encouraging the development of new rental units that are permanently secured at rates that match the affordability needs of local moderate income households earning between \$30,000 and \$80,000 per year.</p>	<p>The 2019 income limits set by BC Housing for the City of Vancouver range from \$51,500 for 1-bedroom or smaller units to \$83,500 for 4+ bedroom units.</p> <p>Under the MIRHPP the City of Vancouver secures units at the following rents, and corresponding income levels:</p> <ul style="list-style-type: none"> • Studio: \$950 (\$38,000) • One-bedroom: \$1,200 (\$48,000) • Two-bedroom: \$1,600 (\$64,000) • Three-bedroom: \$2,000 (\$80,000)

Jurisdiction	Basis for Definition	Definition	Incomes Served
City of New York (New York)	Area Median Incomes	<p>Housing is considered affordable if it costs about one-third or less of household income.</p> <p>Area Median income (AMI) is defined annually by the U.S. Department of Housing and Urban Development. For 2019 the AMI for the New York City Region is \$74,700 for a one person household, \$85,400 for a two person household and \$96,100 for a three person household.</p>	<p>New York City's Mandatory Inclusionary Housing policy secures housing for a range of incomes. The options under the program include:</p> <ul style="list-style-type: none"> • 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)

Further details about specific jurisdictions and their programs are included below.

Province of Ontario

The Provincial Policy Statement, 2020 defines affordable rent 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 average market rent of a unit in the regional market area.

The PPS further 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.

Canada Mortgage and Housing Corporation (CMHC)

CMHC helps fund affordable housing projects across Canada. CMHC's current agreement with the Province of Ontario for the Investment in Affordable Housing program establishes some guidelines for the funding of affordable housing. Per the agreement:

"Affordability is defined as having rents for the project that are at or below 80% of CMHC Average Market Rent (AMR) at the time of occupancy... While individual unit rents may be set above or below the 80% threshold, in no instance shall an IAH (2014 Extension) funded unit have a rent that is greater than the CMHC AMR for the area."

Ville de Montréal

The Ville de Montréal recently established the By-law for a Diverse Metropolis. This by-law requires the provision of both social housing and affordable housing in new developments. Under this by-law affordable housing is defined as housing with rents at or below average rents in new buildings by unit type. Under this by-law the following affordable rent limits are established:

	Downtown	Central Neighbourhoods	Periphery	Outskirts
Studio	\$880	\$880	\$675	\$585
One-bedroom	\$1,040	\$1,040	\$810	\$720
Two-bedroom	\$1,440	\$1,440	\$990	\$810
Three-bedroom	\$2,000	\$2,000	\$1,170	\$927

City of Vancouver

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)

BC Housing

BC Housing which helps operate and manage affordable housing across British Columbia defines affordable rental housing as housing with rents equal to, or lower than, average rates in the private-market.

New York City

Housing is considered affordable if it costs about one-third or less of household income.

New York City sets rents at affordable rental units based on Area Median Income (AMI). Units can be secured at variety of affordability levels including 30% AMI, 100% AMI, and 150% AMI. AMI data is made available on an Annual basis for cities in the United

States by the HUD. For 2019 the AMI for the New York City Region is \$74,700 for a one person household, \$85,400 for two a person household and \$96,100 for a three person household.

New York City's Mandatory Inclusionary Housing policy secures housing for a range of incomes. The 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)