



Bill 134 Changes to the “Affordable Residential Unit” Definition

AMO’s Submission to the Ministry of Municipal Affairs and Housing on:

**23-MMAH017
ERO 019-7669**

October 27, 2023

Preamble

Housing affordability is a challenge all Ontarians share. Municipal governments are committed to working with the province to increase the supply of housing and to improve housing affordability in Ontario.

AMO is pleased that the province is moving forward with additional steps to adjust and support effective Bill 23 implementation, including changing the “affordable residential units” definition. However, it is not sufficient to solve the affordable housing crisis, nor meet the government’s commitment to fully offset the costs of Bill 23. AMO continues to call for clarity on how and when the province will keep its commitment to make municipalities whole. Municipalities urgently need this clarity, or we will continue to see cancelled or deferred infrastructure projects that will put at risk the province’s housing targets.

Executive Summary

AMO appreciates the opportunity to provide comments on consultations to change the definition of an “affordable residential unit” for the purpose of municipal development-related charge discounts and exemptions. With Ontario in the midst of a housing and homelessness crisis, it is important to incent affordable housing builds. Further, this definition change and consultation are a positive signal of the province’s shift to transparent decision-making and collaboration with municipalities.

With the passage of Bill 23 in 2022, the province amended the *Development Charges Act, 1997* to provide exemptions from development charges, parkland dedication requirements and community benefit charges for “attainable” and “affordable” housing units. It defined an “affordable residential unit” as 80% below average market rent or purchase price with a 25-year affordability period. In response, AMO asserted that the definition would not be considered affordable to homebuyers and renters in many municipalities. To improve the definition, AMO and OBCM called for the inclusion of income factors in the definition – a critical factor in the definition of affordable housing nationally. This change is an important step towards making sure that incentives are effectively targeted to create housing for those most in need.

AMO urges the government to move quickly to issue the Minister’s Affordable Housing Bulletin. This is needed for municipalities to finalize their 2024 budgets now.

AMO requests that the province defers defining an “attainable residential unit” until after 2031 to provide a stable, predictable development environment for municipalities and builders.

Proposed Changes to the Definition of an “Affordable Residential Unit” in the Development Charges Act, 1997 (Ontario Regulatory Registry 23-MMAH017, ERO 019-7669)

AMO supports the proposed new definition. AMO is pleased to see the province responding to municipal feedback and adjusting its definition of affordable housing to include an income factor. The new definition is consistent with AMO’s previous recommendation that the definition be based on the standard of housing costing no more than 30% of household income.

Minister's Affordable Housing Bulletin

The Ministry of Municipal Affairs and Housing will need to bring the new “affordable residential unit” definition under the *Development Charges Act, 1997* into force by issuing in a Minister's Affordable Housing Bulletin. The affordable housing exemptions are dependent on the development of this bulletin which sets out the average market rent and the average purchase price for the year.

To ensure the effectiveness of the new definition, AMO recommends the government use the following principles to guide the development of the more detailed definition set out in the Bulletin:

- Effectively Targeted: Every dollar of forgone development charge revenue must be offset by taxpayer funding to support necessary infrastructure. Measures must be focused on incenting truly affordable housing for those most in need.
- Fairly Distributed: Measures must recognize differences in municipal housing markets, incomes, and fiscal circumstances and not unfairly impact residents or property taxpayers.
- Stable and Predictable: Responsiveness to shifting affordability conditions must be balanced to provide municipalities and developers with the certainty required for effective long-term planning and financing.
- Operationally Feasible: Trade-offs must be made to avoid cumbersome administration for municipalities and developers that detract from increasing housing supply.

More specifically, the *Development Charges Act* indicates that the bulletin will be amended from time to time. While this allows flexibility for the province, it increases uncertainty for municipalities. AMO recommends that a five-year rolling average for average market rents and average purchase prices be used in the bulletin, which should be released annually on a set date that aligns with municipal budgeting cycles.

Units Required to Remain Affordable for 25 Years

Although not directly addressed by Bill 134, the requirement to strike an agreement between the municipality and the person “required to pay a development charge” that an affordable unit will remain affordable for a period of 25 years is a key component of the affordable housing exemption. AMO asks the government to set out a methodology for calculating the 25-year affordability period for determining affordable housing rent. A standardized approach would provide clarity for municipalities and developers to apply affordable housing development charge exemptions in a consistent, straightforward manner. The right approach would avoid creating new municipal administrative burden.

“Attainable Residential Unit” Definition

AMO notes and supports that the government has not defined an “attainable residential unit” under the *Development Charges Act, 1997*. Recent legislative changes to exempt non-profit developers from development charges provide a meaningful opportunity to address attainable housing. As a result, AMO recommends that the province pause on moving forward on any further development charge mechanisms exemptions for attainable housing, as such an approach could undermine incentives to create affordable housing. AMO recommends the government commit to deferring the “attainable residential unit” definition until after 2031, in alignment with Ontario’s housing target completion date to provide certainty and clarity to all housing development partners.

Conclusion

On behalf of municipal governments across Ontario, thank you for your consideration of the comments provided in this submission. Changing the definition of “affordable residential units” is a step toward addressing Ontario’s housing affordability crisis, but more needs to be done.

We look forward to continued collaboration on how to help the province meet its goal of building 1.5 million new homes by 2031, including more action to realize affordable housing.