

Friday, October 27, 2023

To be sent via email to MFPB@ontario.ca and minister.mah@ontario.ca

The Honourable Paul Calandra
Minister of Municipal Affairs and Housing
Government of Ontario
17th Floor – 777 Bay St.
Toronto, ON M7A 2J3

RE: Changes to the definition of an “Affordable Residential Unit” in the Development Charges Act, 1997 for the purpose of municipal development-related charge discounts and exemptions (ERO 019-7669)

Dear Minister Calandra,

The City of Guelph (the City) strongly supports the addition of an income-based factor into the definition of “Affordable Residential Unit” in the Affordable Homes and Good Jobs Act, 2023 (Bill 134), tabled on September 28, 2023. We welcome the opportunity to provide comments and further feedback for consideration on the proposed change to the definition in the Development Charges Act through the Environmental Registry of Ontario (ERO) posting #019-7669.

Financial Considerations

The City of Guelph requests support from the provincial government to make us whole for the cost of exemptions, discounts, and rate phase-ins for development charges.

- Bill 23 amended the Development Charges Act to provide exemptions from development charges for Affordable Residential Units. The inclusion of an income-based measure in this definition is a welcome change, as it will help to ensure that exemptions are provided to developments that are truly affordable.
- While the City of Guelph recognizes and supports the need to incentivize affordable housing in our community, the loss of development charges represents a real gap in our ability to build infrastructure to support growth.
- Property tax and utility rate payers must provide the funds to make up the difference from this and other exemptions, discounts, and phase-in requirements, and this represents a major affordability concern for our

community.

- Inflation over the past several years has put pressure on homeowners, renters, and businesses, and their ability to absorb increases to property taxes and utility rates to help fund the cost of growth in our community is limited.
- Assessment growth revenue is realized after growth occurs, while the most substantial costs of growth-related infrastructure are incurred and must be in place before growth occurs. This presents a cash flow issue for municipalities that are struggling to renew existing infrastructure and must allocate available debt capacity to that requirement before supporting growth-related infrastructure.
- Additionally, assessment growth revenue provides necessary funding for ongoing operating expenses to support growth, and to maintain and renew growth-related infrastructure.
- The City is therefore not in a position to bear the cost of incentives for affordable housing and other exemptions, discounts, and rate phase-ins, and requests that the province provide funding to make the City whole.

Policy Considerations

- Bill 134 proposes to amend definitions of affordable rental and affordable ownership housing to incorporate an income-based approach along with a market-based approach, limiting exemptions to units that provide income-based affordability.
- The proposed definitions generally align with the definition of affordable housing used by the Canada Mortgage and Housing Corporation, the Provincial Policy Statement (2020), the City's Official Plan, and the City's Growth Management and Affordable Housing Monitoring Report, which considers local income in addition to market prices.
- The proposed definition in Bill 134 regarding the market-based approach differs from the definition in the Development Charges Act (DCA) by referencing 90% of the average purchase price for ownership and 100% of the average market rate for rental when determining the qualification for both affordable ownership and affordable rental housing exemptions. It would be more reasonable to remain with the current definition in the DCA at 80% of the average purchase price for ownership and 80% of the average market rent for rentals. Removing any affordability factor from the market definition of affordable rental, as proposed, would scope-in every rental unit at average market rent deeming them "affordable" and exempting them from

development charges.

- The proposed income-based definition of “Affordable Residential Unit” proposes an affordability measure that is 30 per cent of the 60th percentile of gross annual incomes (in the Minister’s opinion) for renter households in the applicable local municipality, in the case of affordable rent.
- The proposed income-based definition of “Affordable Residential Unit” proposes an affordability measure that is 30 per cent of the 60th percentile of gross annual incomes (in the Minister’s opinion) in the applicable local municipality that, in the Minister’s opinion would result in accommodation costs equal to 30 per cent of the income of the household, in the case of home ownership units.
- For the City of Guelph, income-based affordable ownership definitions are typically lower than market-based approaches and would be used to calculate affordability thresholds for ownership exemptions.
- Based on forecasted affordable ownership thresholds, no single-detached or semi-detached sold in the City of Guelph in 2022 would have been eligible for affordable ownership exemptions. The only type of residential units that may have been eligible for affordability exemptions were a very small percentage of three-bedroom (2%) and two-bedroom (3%) stacked townhomes, and then some one-bedroom and two-bedroom apartments.
- The City requests more detailed information about the inputs that will be used to determine the Minister’s opinion on these matters, specifically:
 - How the Minister will determine a household to be in the 60th percentile of gross annual incomes for renter/ownership households.
 - The assumptions around mortgage interest rates that will be used to determine the calculation of accommodation costs equal to 30 per cent of the income of the household for home ownership units.
 - Clarity around the costs to be included in “accommodation costs” as a definition is not currently provided in the Act. Do accommodation costs include all carrying costs of home ownership, including mortgage costs, property taxes, property insurance, condominium fees (if applicable), and utilities?

Amendment Considerations (Policy)

- The City respectfully recommends defining affordability by number of bedrooms in the unit.
 - The use of one singular calculation of affordability for each rental and home ownership units regardless of unit size or type of dwelling unit

- incentivizes developers to build smaller units which may not meet the needs of the individuals and families who will live in them.
- Defining housing affordability benchmarks by tenure based on the type of unit and number of bedrooms is a more inclusive and effective way to address the diverse affordability needs for the size and make-up of household types in a community (i.e., individuals, couples, families, and multigenerational households.) This would have the benefit of helping to reduce the number of households living in core housing need.
 - Affordability using the 60th percentile of gross annual incomes for renter/ownership households be calculated for the individual unit types (singles, semi's, towns and apartments) and not the average price across all unit types in the City.
- The City respectfully recommends that the Minister consider ways to support housing affordability for individuals and families that exceed the threshold for social housing eligibility but fall beneath the 60th percentile of income threshold.
 - The use of the 60th percentile as a basis for the income-based definition introduces a potential gap between households eligible for social housing (also referred to as rent-geared-to-income housing) provided by Consolidated Municipal Service Managers for Social Services and the purchase price or rent for housing considered affordable.
 - The province determines the household income limits (HILs) as set out in Ontario regulation 370/11 under the Housing Services Act, below which a household is eligible for social housing.
 - The most recent update to this regulation was in December 2021, with the HILs for the City of Guelph ranging from \$34,000 for a bachelor apartment to \$74,500 for a four-bedroom apartment.

Administrative Considerations

- Subsection 4.1(8) of the Development Charges Act says that “The creation of a residential unit that is intended to be an affordable residential unit for a period of 25 years or more from the time that the unit is first rented or sold is exempt from development charges”.
- The City supports the delivery of affordable rental and ownership housing. However, there remains substantial concern about how municipalities can ensure this affordability over time. Development charges are collected at the time of the first building permit issuance, and it is not currently understood how we would monitor the affordability of developments receiving the exemption over 25 years.

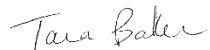
- We also want to highlight that the Act, as written without entrenched affordability guarantees, would introduce a significant new administrative burden to do so. There is a considerable risk that developers will receive an exemption for building affordable units that do not remain affordable over time.

Amendment Considerations (Administrative)

- The City respectfully recommends that the Act be amended to include additional guarantees of affordability for both ownership and rental tenure.
 - Request that, for those ownership units receiving exemptions, that affordability agreements be required to be registered on title. In addition to registering on title, the City requests that should affordability of the housing unit change within the first 25 years, that the development charges which would have ordinarily been due, become immediately payable plus interest, at the maximum interest rate applicable to freezing and installment provisions under sections 26.1 and 26.2 of the Act.
 - Request that municipalities are provided with the ability to secure the rental tenure for a period of 25 years for those market rental units that have been incentivized with development charge discounts, by way of agreement on title. In addition to registering on title, the City requests that should the rental tenure change within the first 25 years, the development charges which would have ordinarily been due, become immediately payable plus interest, at the maximum interest rate allowable under sections 26.1 and 26.2 of the Act.
 - With respect to purpose built rental buildings eligible for development charge discounts and those meeting the definition of “affordable rental unit”, thus being exempted from paying development charges, we recommend that this is further limited in scope by form of ownership. These incentives should be limited to buildings which are not stratified to enable separate legal ownership of the building and the units within the building, demonstrating commitment to long-term purpose-built rental.
 - Request clarification that affordable rental units eligible for the development charges exemption under sub-section 4.1(2) must be within a “rental housing development” as defined in section 26.1 of the Act.
- The City respectfully requests that “in the Minister’s opinion” be removed from both the rental and ownership streams of the proposed definition, and

replace with the source of information that will be drawn upon to make these determinations (e.g., Canada Mortgage and Housing Corporation data). Legislative language does not typically include an opinion-based component and can result in less predictable, objective, and verifiable metrics.

Sincerely,



Tara Baker, General Manager, Finance, and City Treasurer

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