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**Re: Changes to the definition of an "Affordable Residential Unit" in the Development Charges Act, 1997, for municipal development-related charge discounts and exemptions
ERO number: 019-7669**

This letter provides our response to the September 28, 2023, proposed change to the definition of an affordable residential unit in the *Development Charges Act, 1997*, for discounting and exempting these units from municipal development-related charges. The authors are researchers with the Centre for Urban Research (CUR) and Land Development, an economics-focused research centre, at Toronto Metropolitan University.

- **We support the shift to an income-based approach to defining affordable housing.**

Defining housing affordability by applying a normative shelter cost ratio to income has long been the practice in Canada. Households spending 30% or more of their income for acceptable shelter is a widely accepted norm in unaffordable housing.

- **We suggest the rationale for the 60th percentile of before-tax income is a proxy for the maximum income of households in core housing need.**

CUR's research has found that almost all households in core housing need in the Greater Toronto Areas have incomes below the median income or 50th percentile, as shown in Attachment 1. A 60% threshold encompasses the universe of households in core house need. We would also support the use of median income as the threshold applied in calculate affordability.

Since affordability is susceptible to various definitions, the Ministry of Municipal Affairs and Housing (MMAH) may want to stress the affordability being targeted here is the affordability of providing acceptable housing to low- and moderate-income households – that is, households in core housing need.

- **We suggest the 60th percentile be calculated using the income of all households regardless of tenure.**

The Ministry's proposal refers to the gross annual incomes of renter households in calculating the income-based affordable rent. We suggest this is not the appropriate income measure to use.

As noted, almost all renters in core housing need have incomes below the median income for all households. Applying the 60th percentage for all households encompasses renters in core housing need.

- **We suggest the proposed discounts and exemptions should focus on providing affordable rental housing.**

More than 70% of all households in core housing need in the Greater Toronto Areas are renters. Up to a third of all renters are in core housing need vs. about 10% of owners (see Attachment 2). The shelter costs of many owners in core housing need are less onerous than for renters since they include mortgage principal repayments (e.g., forced saving).

- **We support the Ministry preparing and releasing an Affordable Residential Unit Bulletin annually.**

A standardized set of affordability thresholds for rental and ownership housing for municipalities is sensible. The details of the calculations must be publicly available.

- **We suggest the calculation of threshold rents and housing prices should be based on a commonly accepted methodology, not the "Minister's Opinion."**

The proposal is for the Affordable Residential Unit Bulletin's income, rent and housing price estimates to be based on the Minister's opinion. The calculation of these estimates is a technical exercise and should be prepared by and approved by Ministry staff, not the Minister.

We advise the Ministry to have its affordability threshold methodology reviewed by a panel of experts with experience in housing affordability calculations before it is finalized.

- **We suggest that residential units qualifying for municipal development-related discounts and exemptions be for a lengthy period.**

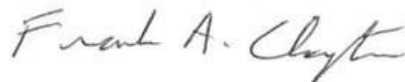
The Development Charges Act specifies that affordable residential units are intended to remain affordable for a period of 25 years or more. We agree with this provision. The difficulty is how to enforce it after the first rental or purchase. This could be a reason to provide discounts and exceptions only to non-profit providers of new affordable housing.

We would be pleased to respond to any questions you might have regarding our submission and continue to assist the Ministry in its research to implement the change in the province's affordability measure.

Sincerely,



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