

October 27, 2023

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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 60<sup>th</sup> 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 50<sup>th</sup> 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 60<sup>th</sup> 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 60<sup>th</sup> 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.

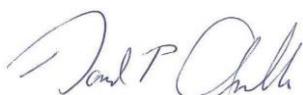
We advise the Ministry to have its affordability threshold methodology reviewed by a panel of experts with experience in housing affordability calculations before it is finalized.

- **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,



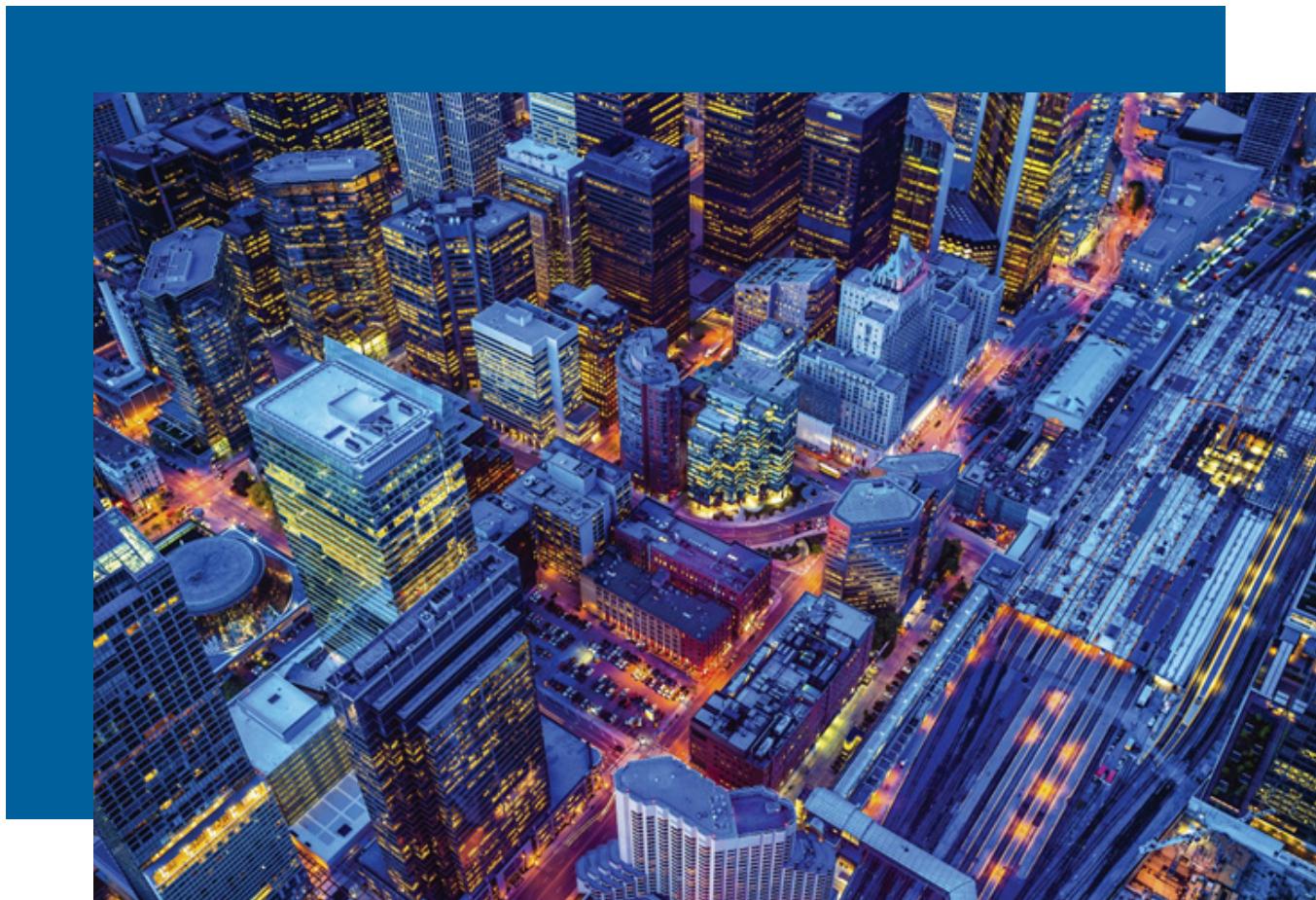
David Amborski  
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# Attachment 1

## Changing Direction: A Fresh Approach for Assessing Affordable Housing Options in the GTA



May 20, 2021

\*The opinions expressed in this research report are those of the authors only and do not represent the opinions and views of either CUR or Ryerson University.

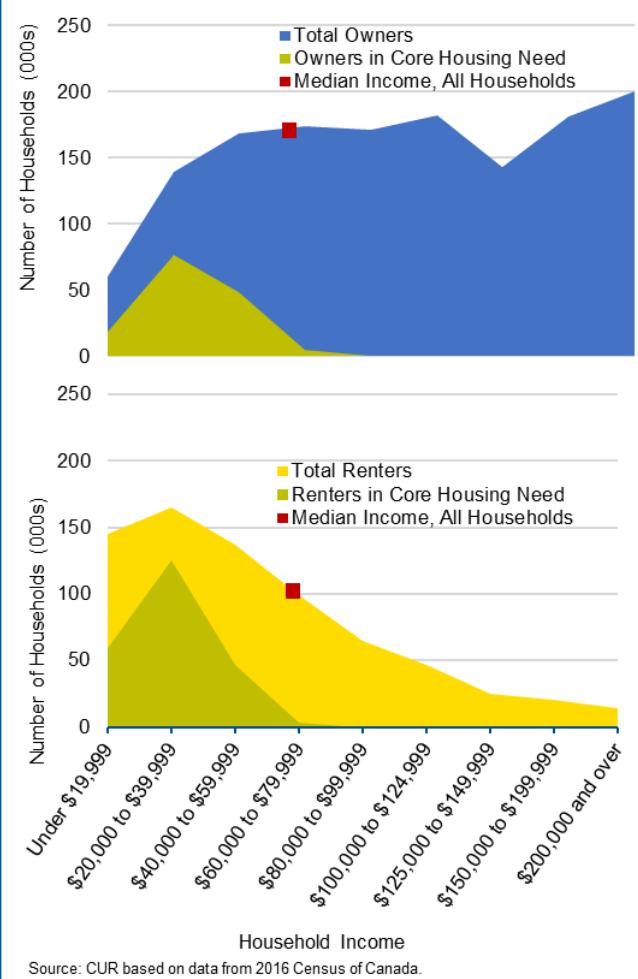
Figure 2 shows the number of households in core housing need in the GTA by income level in 2016. The top panel indicates the income distribution of owners living in core housing need and the bottom panel represents that of renter households.

The figure shows that most households in core housing need, whether these households are owners or renters, are in the lowest income brackets (under \$60,000 in 2016) and that renter households are much more likely to be in core housing need than owner households (36% versus 11% of all households of the same tenure).

It is worthy of note for housing policy analysis that most owner households (96%) and renter households (86%) in core housing need have an affordability problem, while their home is adequate and suitable under the CMHC definitions.

Finally, the proportion of all households who live in core housing need is just below 20% and has been steady for more than two decades (1996-2018).<sup>5</sup>

**Figure 2: Total Households and Those in Core Housing Need by Income and Tenure, GTA, 2016**



### 3. Description of CUR's Diagnostic Tool for GTA Housing Policy Analysis

This section outlines CUR's version of Bertaud's diagnostic tool which has been populated with GTA data. CUR's diagnostic tool for assessing affordable housing policy options is based on the following considerations: the capacity to analyze the impact of policies on both components of the housing affordability problem, market-wide and low-income specific affordability, their interaction and data availability.

#### 3.1 An overview of CUR's diagnostic tool

We opted to use data from the 2016 Census of Canada for our empirical work. This data base has the advantage of containing a range of demographic, housing and income data for households. We examine the entire GTA as affordable housing policies are only effective at this level – not individual municipalities.<sup>6</sup> We retain Bertaud's examination of housing demand and supply by income group.

The demand side of our model consists of two variables presented by income group:

- Total households in 2016; and
- Households in core housing need in 2016.<sup>7</sup>

Core housing need supplemental data are provided for both homeowners and renters (see Figure 2).

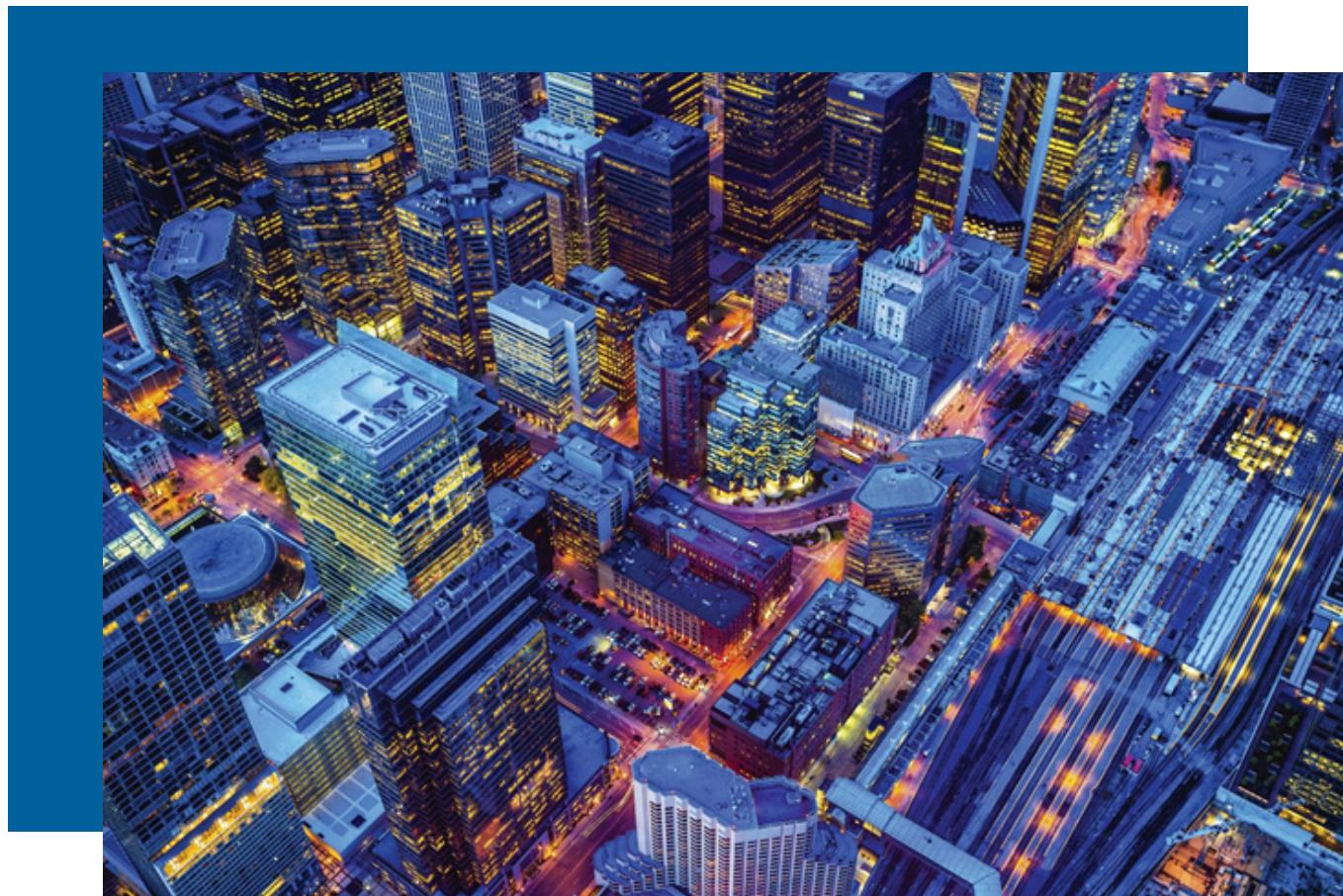
The demand side of the model incorporates a single variable presented by income group:

- The average annual growth in occupied dwelling units during the decade prior to 2016.

Figure 3 presents CUR's version of the diagnostic tool for the GTA. The bottom half of the figure is housing demand and the top half is housing supply. The demand and supply sides of the marketplace are described below.

## Attachment 2

# Quantifying Lower and Moderate-Income Households in Housing Need in the Greater Toronto Area



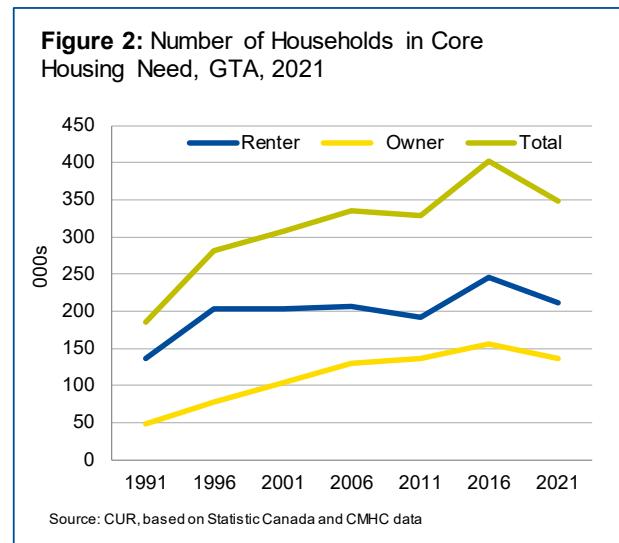
February 27, 2023

# Number and proportion of GTA households in CHN by tenure

This section tracks the number and percentage of GTA households in CHN between 1991 and 2021 by total and tenure.

## Sizable increase in the number of households in CHN over the past 25 years; however, a significant decrease in the latest period

The number of households in CHN by tenure in the GTA between 1991 and 2021 is shown in Figure 2.



### Highlights:

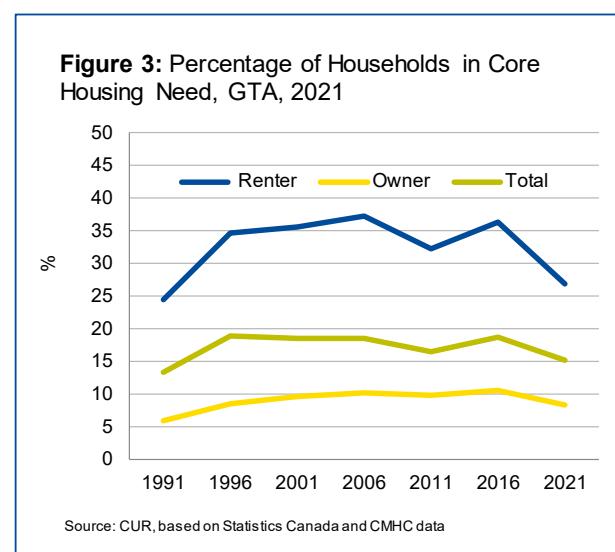
- CHN households in the GTA rose from 184,900 in 1991 to 401,400 in 2016; however, a significant drop occurred in the 2016-2021 Census of Canada period to 348,500; and
- The number of CHN owner and renter households grew between 1991 and 2016 before experiencing a decrease in the 2016-2021 Census of Canada period.
- Temporary pandemic income support programs accounted for the decline in numbers between 2016 and 2021.

## The majority of CHN households are renters

The majority of CHN households have been renters throughout the 1991 to 2021 period. In 2021, nearly six of ten CHN households were renters (see Figure 2).

## The proportion of GTA households in CHN was stable, about one in five during 1996-2016, with a dip in 2016-2021; a greater proportion of renters are in CHN

The absolute number of households in CHN indicates the scope of need in the GTA. However, the percentage of households in CHN is better able to show whether housing need is deteriorating or improving in a region like the GTA. Figure 3 shows the percentage of all households in CHN by tenure for the GTA between 1991 and 2021.



### Highlights:

- The proportion of households in CHN remained slightly less than 20% from 1996-2016 before declining to 15% in 2021, almost the same as in 1991;
- The proportion of renters in CHN hovered around 35% from 1996-2016 before decreasing to the 1991 level in 2016-2021 (27%) and in 1991, it was 24%;
- The proportion of owners in CHN has been relatively flat at around 10% over the latest 25 years.