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REGIONAL OPPORTUNITIES TO IMPACT HOUSING AFFORDABILITY IN YORK REGION

The Community Services and Housing Committee recommends that:

1. **The deputation from Tom Taylor, President, Habitat For Humanity York Region be received;**

2. **The presentation from Sylvia Patterson, Director of Housing Services and John Waller, Director of Long Range and Strategic Planning be received;**

3. **The recommendation contained in the following report, October 2, 2007, from the Commissioner of Community and Health Services and Commissioner of Planning and Development Services be adopted.**

1. RECOMMENDATION

It is recommended that:

1. The Regional Clerk distribute this report to the Canada Housing and Mortgage Corporation, the Minister of Public Infrastructure Renewal, the Minister of Municipal Affairs and Housing, and to local municipal clerks for information purposes.

2. PURPOSE

In response to a request from Community Services and Housing Committee, this report discusses opportunities for The Regional Municipality of York to encourage affordable housing development in York Region.

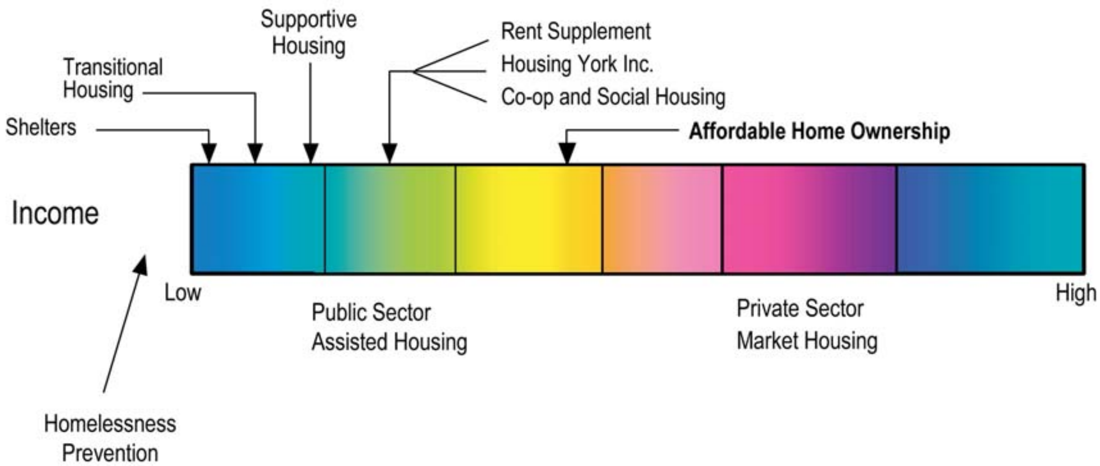
A concurrent report relating to the status of accessory apartments in single and semi-detached housing considers in more detail the use of "secondary suites" as an affordable housing option.

3. BACKGROUND

What is affordable housing?
Housing affordability involves two components: 1) the price/cost of housing and 2) the income available to a household to make the payments associated with suitable and adequate housing in the community. For example, Canada Mortgage and Housing

Corporation defines rental housing as being affordable if a household does not have to pay more than 30% of its income for shelter related costs.

Housing supply in a community is often viewed as a continuum.



Based on the continuum view of housing supply, a community should be able to supply a range of housing options including:

- Emergency shelter within the community to those residents who face economic breakdown.
- Social housing for those residents at lower income levels, many of whom are employed in entry level or service related industries.
- Rental housing, the tenure of choice of many lower income residents, as it provides shelter at considerably less cost than homeownership.
- Diversified forms of homeownership in the marketplace.

Housing Affordability has been a Problem in the Region for at least the past 10 years

In 2000, Regional Council received the York Region Housing Directions Study. The Study was based on information gathered primarily from the 1996 census, and local demographic and real estate data. The major findings of the Study were:

- Housing costs in the Region were high compared to other areas in the Greater Toronto Area (GTA).
- Lower income households were increasing as a percentage of the population.
- The vacancy rate in the rental market was extremely low at 0.7%.
- 25% of the Region’s homeowner households and 40% of tenant households were paying more than 30% of their gross income on shelter costs.

- Employers were concerned they would be unable to attract and retain entry level employees due to lack of affordable housing.

The Region Adopted a Housing Supply Strategy in 2002
Regional Council supported the major recommendation of the Housing Directions Study to pursue a York Region Housing Strategy based on the following four components:
- An update of Regional Official Plan Policies.
- Focus housing production on a variety of new residential units.
- Facilitate the development of affordable and special needs housing initiatives.
- Monitor progress on a going forward basis.

Subsequent consultations with a wide range of stakeholders resulted in a Housing Supply Strategy, approved by Council in 2002 which targeted eight action areas, to create affordable housing, as discussed below.

3.1 The Framework for action on affordable housing has been set by the Region's Housing Supply Strategy

The following list outlines progress to date in each of the eight action areas of the Region's Housing Supply Strategy:

Affordable Ownership
- Financially supported development of local a Habitat for Humanity chapter.

Non-Profit Housing
- Council adopted Development Charge off-set policy for non-profit housing providers on March 28, 2002 through the adoption of Clause No. 2 of Report No. 3 of the Finance & Administration Committee.
- Currently housing about 425 lower income households in integrated manner throughout community with rent supplements.
- Developed or currently developing 263 affordable rental housing units for Housing York Inc. in five projects across York Region. *(see Attachment 1*).

Rental Housing
- 271 new rental housing units recommended for funding through Canada-Ontario Affordable Housing Program.
- Regional Council enacted the Municipal Facilities By-Law allowing financial and other consideration by Region to private developers developing affordable rental housing.
- New transitional housing project for at-risk youth developed and occupied in the Town of Georgina.
- Equalization of property tax rates for multiple-residential housing to same rate paid by single family homeowners achieved in 2003.

Partnerships
- An inter-municipal Working Group on Housing comprised of Regional and local municipal staff members has been formed.
- The Region has formed various partnerships with local municipalities and non-profit agencies to develop affordable rental housing projects, emergency shelters, and transitional housing.

Community Education and Awareness
- 2004 Employers Opinion survey, with affordable housing component completed.
- Housing and the Economy study completed in 2004.
- Housing Fact Sheet completed in 2007.

Federal and Provincial Roles
- Participation in Affordable Housing Program and influenced refinements to program guidelines and procedures.
- Received a funding commitment of $25.9 million from the provincial government through the Affordable Housing Program.

Growth Management
- Updated Regional Official Plan to reflect Housing Supply Strategy affordable housing targets.
- Implemented Regional Transit Strategy.
- Approved Centres and Corridors approach to future development.
- Increased intensification targets.
- Increasingly diverse mix of new housing units.

Monitoring Success
- Reported progress on action areas in Housing Supply Strategy to Council on September 23, 2004 through the adoption of Clause No. 6 of Report No. 7 of the Community Services and Housing Committee.
- Annual updates on housing through avenues such as Progress Reports on Vision 2026, and Economic and Development Review Updates.

The overall approach under the Housing Supply Strategy has been to leverage regional and community equity in the development of new affordable housing. An updated Housing Directions Study is proposed in 2008 when 2006 census data is available.

4. ANALYSIS AND OPTIONS

4.1 Challenges persist in meeting our affordable housing needs
Although progress has been made in a number of areas in the Region's Housing Supply Strategy, the supply of affordable housing has not increased significantly in the past five years. Regional analysis and studies over the last several years illustrate the issue.

How Affordable is Housing in the Region?

- **Regional Official Plan calls for the production of new rental housing—** 100 new units of non-profit housing per year and the creation of new rental units through public/private partnerships. Since 2002, new housing units has been meeting targets (i.e. 8,000 new units per year) and the mix of new housing units being constructed in the Region has diversified. In 2006 the percentage of semi-detached, townhouses and apartments was 48% of total new units. However, the cost of these new units remained high.

- **Housing prices are rising—**the cost of an average re-sale single family house has increased by 33% (from $351,000 to $467,000) between 2002, the year the Housing Supply Strategy was adopted and 2006, compared to less than a 10% increase in the Consumer Price Index in Ontario in the same time period.

- **Housing is becoming more diversified in the Region; however costs remain high—**in the last ten years the supply of detached homes has fallen from approximately 80% of the housing stock to 72% in 2006. In 2006, 48% of all housing starts in the Region were for multi-family dwellings. However, the resale price for all dwellings in the Region was 15.5% higher in York Region than in the GTA as a whole.

- **Housing prices and utility costs are increasing at rates well above increases in salaries—**it can reasonably be expected that even more households in the Region are having affordability problems as defined by Canada Mortgage and Housing, than were reported at the time of the last census.

- **There is a continuing gap between workers' housing needs and housing availability—**62% of working low income residents in 2000 faced severe housing affordability issues, i.e., paying 50% or more of household income on housing. (*A Profile of York Region's Low Income Population: Research Highlights*). A key part of the Region's labour force relies on rental housing in Toronto to meet their housing needs, causing negative impacts on traffic and commuting patterns (*Housing and our Economy: Remaining Competitive, 2004*). Lack of affordable housing is also impacting employer's efforts to attract and retain workers *(2004 Employer's Opinion Survey*).

- **2006 Census** indicates that York Region has 11.7% of its housing stock as rental. This is the lowest rate in the GTA, and has decreased from a rate of 13.7% in 2001.

- **York Region has a small supply of rental housing—**in 2001, only 13.7% of the Region's housing stock was rental, the lowest in the GTA. It can be reasonably be expected that this percentage will further decline as there has been little rental housing stock built in the past six years.

- **The small amount of rental stock available is full—**York Region has consistently had among the lowest vacancy rates in the past 15 years in Ontario. The rate is currently at 1.6%, still among the lowest in the Province.

- **There has been little production of new affordable rental housing in the Region—**although the Regional Official Plan calls for the production of 100 new units of affordable non-profit housing each year, since 2002 there has only been 118 units completed, all built by the Region.

4.2 Housing affordability is influenced by many factors

Housing affordability is a dynamic process—a result of an on-going interplay of factors related to housing markets; global, regional and local economics, and public policy at all four levels of government (federal, provincial, regional, and municipal). A key consideration when moving forward is to identify opportunities where the Region's influence and impact is greatest.

Economic and Market Factors are the Primary Drivers of Housing Affordability
The supply of affordable housing is impacted by overall housing markets and economic conditions that are both global and local in nature. Key drivers affecting York Region include:

- **5 year mortgage rates remain at historically low levels—**rates have been close to 6% since 2002, which has encouraged many households to choose home ownership. This compares to an average rate of about 9% throughout the 1990's, and about 13% throughout the 1980's.

- **Unemployment rates remain low—**York Region's unemployment rate in 2006 was 5%, helping stimulate demand for home ownership as household employment prospects remains positive.

- **Population growth,** fuelled by immigration population, has increased by 26% in York Region between 2000 and 2006, driving demand for housing in the Region. This demand is expected to continue. However, recent immigrant households are more likely to face affordability issues in obtaining housing than the general population. As well, 27% of recent immigrants are under the low income cut-off compared to 10% of the total population.

- **Construction costs have increased rapidly—**almost 23% since 2002 compared to only 9% for the Consumer Price Index in Ontario in the same time period. Construction costs reflect both regional labour market trends as well as global material demands.

- **Rapidly increasing land values—**favourable market conditions and increased levels of environmental protection have decreased the supply of land available for development and increased the cost of housing.

- **An emerging condominium market has led to higher density housing; however** the affordability of these units for lower and middle income households is unclear. In 2001 the average price of a condo unit in York Region was approximately $211,000. In 2006 the average price of a condo unit in York Region was approximately $323,250; an increase of approximately 53% over five years.

- **Economics of building affordable rental housing remain unfavourable—** substantial equity investment is required by private sector investors to cover the gap between the cost of projects and the financing levels available at affordable rent levels. Return on these investments continues to be negative, making this form of housing an unattractive investment option. Likewise, non-profit housing providers building affordable rental housing require significant upfront equity to cover the revenue shortfall between rental revenue and project operating costs, including mortgage financing. In many cases, the financing/affordable rent gap has been significant to an extent that has not been feasible for many community groups to build affordable housing.

The overall impact of these factors has been to drive housing prices upwards. The combination of high growth and the desire of many households to live in York Region, combined with low interest rates, and continuing increases in housing constructions costs and land costs suggest that housing costs will continue to stay high, and may even move higher.

Federal and Provincial Polices are not Favourable to Building Affordable Housing
Federal and provincial policies set the regulatory, planning, and financial environment in which investments in affordable housing development are considered by private and non-profit developers. Key influences include:
- **Provincial legislation and policies** requiring more compact development, and greater Greenfield protection will impact the long-term economics of affordable housing development. Land supply and costs could emerge as key barriers.
- **Federal income tax policy** - continues not to be conducive to private rental housing development.
- **Federal and provincial capital investments** in affordable housing development programs over the past ten years have been limited and administratively complex to deliver.
- **Canada still lacks a national housing strategy** which would provide clear direction for private, non-profit, and municipal housing corporations to develop long-term affordable housing strategies and investments.
- **Limited tax benefits –** available to low income households to offset high costs of housing.

Regional and Municipal Policy can play an Important Complementary Role in Promoting Affordable Housing

Regional and municipal policies also influence the supply and location of affordable housing. Efforts to plan and develop affordable housing projects must meet local zoning requirements and community building objectives. Regional considerations include:

- **Regional Official Plan** sets targets for affordable housing development. A minimum of 25% of all new housing units in each of the area municipalities are required to be affordable. Due to many of the market and economic factors outlined in this report, the market is not delivering on this objective.
- **Accessory apartments ("second suites")** are a matter of right in only two municipalities within York Region, in the Town of East Gwillimbury and the Town of Newmarket.
- **Rental conversion/demolition policy—**the need to intensify within urban boundaries could lead to increased pressures to redevelop a portion of the small number of affordable privately owned rental units. The Region could consider prohibiting the loss of this rental market stock through demolition or conversion to condos
- **Zoning Limitations for projects with small units—**although affordable housing demand on the Region's Social Housing Waiting List is high for single person households, few single room occupancy or bachelor apartment projects are being considered for zoning approval by local municipalities.
- **Community education** is needed to offset negative perceptions involving the development of new affordable housing communities.

The impacts of these factors vary over time. How they interact and effect housing affordability in York Region sets the context for considering regional initiatives to promote private rental housing development. Some of the key drivers of affordability—construction costs, population growth, and interest rates—are largely beyond the influence of regional government, but have significant impact on the ability of residents to meet their housing needs, and contribute to York Region's economic growth and community life.

Federal and provincial housing and economic policies play a key role in setting the stage for private sector and non profit sector involvement in providing affordable housing. The lack of national and provincial comprehensive housing strategies is a major issue.

4.3 What other municipalities are doing to promote housing affordability

Canada Mortgage and Housing lists the following areas where municipalities have taken action to provide affordable housing in Canada.

- Permitting Secondary Suites.
- Allowing Garden Suites; small self contained dwellings for a close family to be placed on properties in proximity to an existing house.
- Enforcing policies which do not allow affordable rental units to be demolished or converted into condominiums.
- Waiving or reducing development charges.

- Revolving loan funds which provide repayable loans from a fixed trust fund. For example the City of London provides forgivable loans of up to $15,000 per unit to eligible non-profit, private sector.

Additionally, municipalities have also taken the following steps:
- The Cities of Kingston and Toronto have instituted development charges for the creation of affordable housing. Peel Region is currently considering this approach.
- The City of Toronto requires residential developments larger than five hectares in size to have 30% of new housing units in forms other than single and semi-detached.
- Halton Region plans to create a fund to buy land and buildings for future affordable housing development.
- The City of Toronto provides for exemptions from property taxes for eligible affordable housing projects.
- In 2002, the City of Peterborough directed that for the next five that all revenues from the sale of municipal land be directed to the affordable Housing Reserve Fund.

4.4 Opportunities for regional action

The following highlights the potential tools and approaches available to the Region in both the short and long term to address housing affordability needs. Further analysis and reports may follow, subject to direction from Regional Council.

Regional Policies
- Monitoring and enforcement of existing affordable housing provisions and targets in the Regional Official Plan through the development planning and approval process.
- Water and sewage allocation policy which would direct such allocations on a priority basis to projects containing affordable housing.
- Affordable housing development could be given first priority when opportunities for redevelopment become available on regionally owned sites.
- Rental demolition/conversion policies that protect existing affordable rental housing.
- Encourage local municipalities to allow secondary suites as a matter of right.

Leveraging Regional Resources
- Explore surplus lands owned by the Region to be used for the development of affordable housing.
- Explore the use of a development charge to help fund affordable housing development.
- Explore property tax exemptions for affordable rental housing projects as is being done in the City of Toronto and the City of Ottawa.
- Funding of pilot projects to examine the marketability of affordable housing projects (e.g. affordable condominium developments, housing for singles, second suites).
- Implement and fund a Regional rent supplement pilot program to reduce shelter costs for tenants and monitor its effectiveness.

- Dedicate long-term stable funding from the tax levy to the Region's Social Housing Reserve for affordable housing development.

Advocacy

- Strongly encourage Federal leadership in developing a long term housing strategy.
- Request long term stable funding for affordable housing development from both Federal and Provincial governments.
- Request more flexibility in affordable housing program requirements from both the Federal and Provincial governments to meet regional-specific housing needs.
- Initiate a dialogue with development industry to encourage the provision of more intrinsically affordable housing.

4.5 Moving forward

- Prepare an updated Housing Direction Study when 2006 Census data is released (Spring 2008), and further research arising from this report.
- Review/update Housing Supply Strategy based on Council direction arising from the Housing Directions Study update.
- Implement action items arising from the updated Housing Directions Study and Housing Supply Strategy.
- Continue the Region's growth management initiative, including a housing analysis to accommodate the population forecasted for York Region in the Provincial Growth Plan
- Continue to press the Federal and Provincial governments to develop a National Housing Strategy with sustainable funding for new initiatives.

5. FINANCIAL IMPLICATIONS

There are no immediate financial implications arising from this report. Any future financial impacts arising from opportunities presented in the updated Housing Directions Study and Housing Supply Strategy will be reported to Council at the time. Individual initiatives, proposals, and projects arising from the Strategy will be reported to Council through normal budget processes.

6. LOCAL MUNICIPAL IMPACT

Local municipalities play an important role in the development of affordable housing. They have parallel opportunities to the Region in leveraging their resources to impact on affordability. Local municipalities also have the central role in the land approval process which is pivotal to allowing second suites as a matter of right, as well as allowing appropriate housing for certain groups of residents with a high need for affordable housing such as the singles population.

Local municipalities may have their continued economic well being and community life style advantages limited by housing costs which are ever increasingly out of the economic reach of many of their residents and workers.

Regional staff work with local municipal staff on an on-going basis as part of the Inter-Municipal working Group on Housing.

7. CONCLUSION

Housing affordability is influenced by many global, national, and local factors. The Region can have a limited, but still important impact on housing affordability by leveraging its resources and strongly advocating for meaningful stable funding and participation by other governments at all levels. The Region will complete an updated Housing Directions Study and Housing Supply Strategy in 2008 when information becomes available from the 2006 census.

For more information on this report, contact Sylvia Patterson, Director, Housing Services Branch in the Community and Health Services Department.

The Senior Management Group has reviewed this report.

(The attachment referred to in this clause was included in the Agenda for the October 10, 2007 Committee meeting.)