



INFORMATION REPORT

TO:	Chair and Members General Issues Committee
COMMITTEE DATE:	August 8, 2022
SUBJECT/REPORT NO:	Definition of Affordable Housing (HSC22051/PED22183) (City Wide)
WARD(S) AFFECTED:	City Wide
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COUNCIL DIRECTION

This information report is being provided in response to Council discussions arising from a development application at the July 8, 2022 Council Meeting, in which staff was asked to provide information regarding the definition of affordable housing.

INFORMATION

Depending on the context, “affordable housing” has been used, defined and interpreted in various ways. Often “affordable housing” is also used to describe “housing affordability” which can lead to confusion, depending on the audience. This report attempts to clarify the definitions of “affordable housing” that are typically used, and the contexts in which they are used.

The term “affordable housing” has historically had a specific connotation and was used in the context of social housing and supportive housing providing housing for lower income households. However, “affordable housing” addresses a spectrum of housing types and needs depending on the policy objective ranging addressing homelessness vs creating supportive housing vs creating new social housing/community housing vs programs to make first time homes more affordable. Historically, social housing includes housing built and operated under specific historical programs and managed according to the Housing Services Act, 2011. Supportive housing is purpose-built housing where programs are provided for residents to assist residents living on their own and to give best opportunity to live successful in their home. Down payment assistance programs have been used to assist low to moderate income households to purchase a home.

“Housing affordability” is a more general term, that is typically used to describe the ability of all households to be able to afford to rent or own a home. It is often based on measures of average house price relative to median household incomes. Generally, this term relates to those households, earning greater than the affordable housing income levels, but that still may be challenged to afford to rent or own a market rate home.

Recently, as more individuals and groups across a wider span of household income levels are challenged with housing affordability, the term “affordable housing” has been used outside its original context/definition, and this broader usage has made it difficult to have a shared conversation about what is meant by affordable housing.

The following information provides an overview of some of the definitions of affordable housing that are used locally, and the contexts in which they are used.

Federal and Provincial Funding Definitions – Canada Mortgage and Housing Corporation (CMHC)

Within the various Federal or Provincial funding programs, there are project criteria established which focus the funding on specific targeted populations and income levels creating a focussed definition of affordable housing for that funding.

CMHC considers affordable housing to include the following:

- *Affordability for an individual household = Housing costs are no more than 30% of their net income.*
- *Rent-Geared-to-Income is based on this calculation up to a certain household income (Household Income Limits).*
- *low end of market rental to be 80% of CMHC's Average Market Rent.*

CHMC has produced the following graphic which illustrates the housing continuum. Within the continuum, senior level government support is typically provided from the “Emergency Shelter” to the “Affordable Housing” categories to assist in the creation of new homes/rooms and for operating/programming costs. Where possible, the goal is to support and move residents through the continuum creating more opportunity for independence.

THE HOUSING CONTINUUM



There can be significant gaps in the housing continuum. At the one end of the continuum, senior levels of government fund deeper affordable housing units and at the other end of the continuum, the private market is building housing units to capture the higher-level household incomes. This creates a housing gap which is sometimes referred to as the “missing middle” or the housing normally associated with first time buyers, those trying to move up the housing ladder from “affordable housing,” or even those trying to downsize from larger family homes.

In the context of program funding, the new development of affordable housing is generally defined federally, provincially and municipally in the form of “eligibility criteria” by which an applicant can receive funding for a project. A project that provides housing to household incomes at the 60th income percentile or lower and provides rents at 80% of the Average Market Rent (AMR) is considered “affordable housing”. These new developments often are also provided rent supplements or housing allowances to reduce the rents for lower income percentiles, funded through different sources depending on the which programs are available such as Canada Ontario Community Housing Initiative (COCHI), Ontario Priority Housing Initiative (OPHI), Homeless Prevention Program (HPP), or where no funding is available off the tax levy. To access this senior level of government funding, the projects are required to be owned/operated by not-for-profits. Hamilton has not seen construction of affordable homeownership units in many years, except for Habitat for Humanity who develop a few small projects on a yearly basis.

Planning Definitions – Growth Plan for the Greater Golden Horseshoe and the Urban Hamilton Official Plan

Provincial and municipal land use planning documents also contain definitions of affordability.

The provincial Growth Plan defines affordable as follows, and this definition is also carried forward in the City's Official Plan:

"Affordable: means:

a) in the case of ownership housing, the least expensive of:

i) housing for which the purchase price results in annual accommodation costs which do not exceed 30 percent of gross annual household income for low- and moderate-income households; or

ii) housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the City of Hamilton; and,

b) in the case of rental housing, the least expensive of:

i) a unit for which the rent does not exceed 30 percent of gross annual household income for low- and moderate-income households; or

ii) a unit for which the rent is at or below the average market rent of a unit in the City of Hamilton (PPS, 2005 amended); and,

c) in the case of housing developments, at least 25 percent of either affordable ownership or affordable rental housing. For the purposes of the policies of this Plan, affordable housing developments may include a mix of affordable and market rate units, both ownership and rental."

The City's 10 Year Housing and Homelessness Action Plan (HHAP), developed and further updated by Council in 2020, includes a similar definition:

"The affordability of rental housing can be defined based on a proportion of a person or household's income or based on a percentage of the average or median market rent, for a defined area. Often, the definition includes a threshold in the position of households on the income spectrum, the most universal with low- and moderate-income households being at or below the 60th income percentile for renters living in a defined area. Different documents define affordable housing slightly differently. For the purposes of the HHAP and the City of Hamilton, generally, affordable housing means:

1. Housing that costs 30% or less of gross household income for households with a low to moderate income. Low to moderate income for renters is defined as income at or below the 60th income percentile for renters in the City of Hamilton, and for owners the 60th income percentile for all Hamiltonians; and/or,

2. Housing that is less than 125% of the CMHC average market rent for the same unit type and size, in the local housing market zone, or city-wide. Note that CMHC uses 80% of median market rent rather than the average for their programs..."

Real Estate Transaction Definitions

The City has proactively introduced various levels of affordable housing requirements within specific land sales or partnered developments. In these cases, the level, type and definition of affordability may vary depending on the nature and value of the real estate transaction, the priority housing needs in the area, and the objectives of the City and the community. The required level of affordability is approved by Council as part of the terms and conditions of the land sale or property transaction.

A definition that has often been used in real estate transactions is from the Municipal Housing Facilities By-law, which states:

- “affordable housing” means: (a) rental housing units with a rent at or below 125% of average market rent; (b) for affordable homeownership, housing units with a sale price of at least 10% below the median resale price of a home;
- “average market rent” means: (a) average monthly City rent or local area rent, whichever is higher, by unit and structure type, as determined in the annual fall survey of average market rents for the prior calendar year as provided to the City by CMHC; or (b) average market rent for a housing unit, by unit and structure type, for the prior calendar year as determined by the General Manager.

Some recent examples are provided below.

The Pier 8 development agreement states that not less than 5% of the units in the Project must meet the “affordable home ownership” standard outlined in section 1 of the City’s Municipal Housing Facilities By-law No. 16-233 being “a sale price that is at least 10% below the median resale price” applied to the sale of condominium units within the City of Hamilton, as reported monthly by the Realtors Association of Hamilton-Burlington

The Jamesville RFP indicates that an “Affordable Rental Unit” means a residential unit that is specifically marketed as a rental tenure property in accordance with Ontario’s *Rental Tenancies Act*, as amended from time to time, and for which the total actual gross rental revenue earned in a given 12-month period divided by the number of occupied months (or pro-rated to a smaller unit of time as appropriate) in that same 12-month period, does not exceed a threshold of 125% of monthly Median Market Rent for the respective unit type.

The 60 Caledon land transaction requires the affordable housing rental unit offerings containing at least ten three-bedroom units with a maximum 80% Average Market Rent rate, and, an additional 20 three [1] bedroom units with a maximum 125% Average Market Rent rate.

Incentives and Fees Definitions

To incentivize the development of new affordable housing, Council has approved a Parkland Dedication By-law which permits waiving of cash-in-lieu of parkland payments where Housing Services is permitted to designate a project as “affordable housing” and the By-law then permits waiving of the fees.

A similar exemption exists for certain planning application fees, such as re-zoning and Official Plan Amendment fees.

The Development Charges By-law 19-142 exempts affordable housing developments where they do not receive upper level funding which permits DCs as an eligible expense:

“...until such time as the City’s Housing Services Division develops and implements a Development Charge Incentive Program, dwelling units within an affordable housing project that (a) either have been approved to receive construction funding from the Government of Canada or the Province of Ontario (including their Crown corporations) under an affordable housing program or have been approved by the City of Hamilton through an affordable housing program; and (b) such affordable housing dwelling unit is not eligible for funding for development charge liabilities from the Government of Canada or the Province of Ontario (including their Crown corporations);

“Affordable Housing Project” means a development or redevelopment that provides housing and incidental facilities for persons of low and moderate income.

APPENDICES AND SCHEDULES ATTACHED

N/A