



CITY OF HAMILTON
PLANNING AND ECONOMIC DEVELOPMENT DEPARTMENT
Planning Division

TO:	Chair and Members Planning Committee
COMMITTEE DATE:	November 14, 2023
SUBJECT/REPORT NO:	Bill 134, Proposed <i>Affordable Homes and Good Jobs Act, 2023</i> (PED23256) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Jennifer Allen (905) 546-2424 Ext. 4672
SUBMITTED BY:	Anita Fabac Acting Director, Planning and Chief Planner Planning and Economic Development Department
SIGNATURE:	

RECOMMENDATION

- (a) That Council endorse the submissions and recommendations attached in Appendix "A" to Report PED23256 regarding the proposed Bill 134, *Affordable Homes and Good Jobs Act, 2023*;
- (b) That the Acting Director of Planning and Chief Planner be authorized and directed to confirm the submissions and recommendations made to the Province resulting from Council's review and decisions on Report PED23256;
- (c) That staff report back to Council should Bill 134, *Affordable Homes and Good Jobs Act, 2023* be proclaimed on any required process, fee and By-law changes necessary to implement the proposed changes.

EXECUTIVE SUMMARY

On September 28, 2023, Bill 134, *Affordable Homes and Good Jobs Act, 2023* was introduced at the Ontario Legislature which has received second reading. If enacted, this Bill would amend the definition of an affordable residential unit in the *Development Charges Act, 1997* to increase the threshold of average market rent and average market purchase price considered affordable and broaden the criteria to also consider average household income. In accordance with the proposed definition, an affordable

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residential unit will be the lesser of the average market and the income-based affordable rent / purchase price. The changes to the definition of an affordable residential unit include:

- Increasing the threshold for affordable rent from 80% average market rent to 100% average market rent;
- Adding income-based rent as an alternative criterion for affordable determined where the household income is in the 60th percentile of gross annual incomes for rental households and rent is 30% of that household income;
- Increasing the threshold for affordable purchase price from 80% average market price to 90% average market price; and,
- Adding income-based affordable purchase price as an alternative criterion for affordable determined where the household income is in the 60th percentile of gross annual incomes for households and rent is 30% of that household income.

The Government of Ontario requested comments on the proposed changes through the Environmental Registry of Ontario (ERO 019-7669) with a deadline of October 28, 2023. Given the commenting deadline, staff-level comments contained in Appendix "A" attached to Report PED23256 have been submitted to the Province.

In summary, staff have concerns that increasing the income and affordability thresholds has the effect of increasing the number of new dwellings that would qualify for a development charge exemption. This in turn decreases the amount of development charge revenue for municipalities, negatively impacting its ability to fund infrastructure required to support growth. Staff also have concerns with the ability to effectively implement exemptions and the cost of the ongoing administration to ensure compliance given the absence of tools / measures in the legislation.

Recent legislative changes have failed to address, amongst others, housing affordability and effectively promoting the provision of a range and mix of unit types. The proposed definition utilizes singular numerical data points and income percentiles for all unit types to determine affordability city-wide. This may encourage smaller unit types that are not truly affordable which does not support a mix of affordable housing types. A more equitable measure of affordability would be to establish a separate average market rate for each unit type and create a gradation of affordability levels scaled relative to unit sizes.

If the recommendations of this Report are approved by Council, the Acting Director of Planning and Chief Planner will notify the Province that the submissions made have been adopted by Council and of any changes to staff comments as a result of Council's consideration of the matter.

Alternatives for Consideration – See Page 5

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: Bill 134 will have financial implications on the City. The degree and magnitude of the financial implications are not fully known at the time of preparation of this report. Staff will continue to monitor, analyze and report back to Council as necessary.

Staffing: N/A

Legal: N/A

HISTORICAL BACKGROUND

Over the last number of years, the Provincial Government has introduced various legislative changes. Recent changes to the *Development Charges Act, 1997* include:

- Bill 108 (*More Homes, More Choice Act, 2019*);
- Bill 23 (*More Homes Built Faster Act, 2022*); and,
- Bill 97 (*Helping Homebuyers, Protecting Tenants Act, 2023*).

Of particular note, Bill 23 introduced exemptions for affordable and attainable residential units.

Bill 134 passed its first reading on September 28, 2023 and its second reading on October 4, 2023.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Provincial Planning Policy framework is established through the *Planning Act* (Section 3) and the Provincial Policy Statement (PPS). It provides municipal governments with the direction and authority to guide development and land use planning through official plans, secondary plans and zoning by-laws. The *Planning Act* requires that all municipal land use decisions affecting planning matters be consistent with policy statements and plans issued by the Province.

The Provincial Policy Statement promotes the accommodation of a range and mix of housing types including affordable housing and establishes minimum targets for affordable housing to low and moderate income households. The proposes changes will align the definition of an affordable residential unit in the *Development Charges Act, 1997* with the definition of affordable and low to moderate income households in the Provincial Policy Statement, 2020.

RELEVANT CONSULTATION

Staff from within the Planning Division, Building Division, Growth Management Division, Transportation Planning and Parking Division, Strategic Growth Division, Housing Services Division, Financial Planning, Administration and Policy Division, Housing Secretariat Division, Economic Development Division and Legal and Risk Management Services Division were consulted in the drafting of this report and appendices.

ANALYSIS AND RATIONALE FOR RECOMMENDATION

It is understood recent legislative changes have been intended to help streamline approvals and reduce barriers to development to support the Province's goal of facilitating the construction of 1.5 million homes over the next 10 years across Ontario. The legislative changes have failed to address, amongst others, housing affordability and effectively promoting the provision of a range and mix of unit types.

The proposed definition does not separate average market rates based on unit types and sizes or distinguish income-based affordability levels relative to unit types and sizes. Utilizing one numerical data point for average market rates for all unit types and a set income percentile for gross annual incomes will tend to favour smaller rental or condominium units, which would more likely meet the affordability threshold, in contrast to larger affordable family sized units which are needed to meet the City's housing needs. A more equitable measure of affordability would be to establish a separate average market rate for each unit type and creating a gradation of affordability levels scaled relative to unit sizes.

The City has used the Provincial Policy Statement Affordable House Prices and Rents Tables, 2022, to analyse the proposed changes to the definition of an affordable residential unit. Based on this information, it is apparent the average market rent is significantly less than 30 percent of the 60th percentile's gross income. With the threshold for affordably increasing from 80 percent average market rent to 100 percent, the maximum rent that can be charged and qualify for development related exemptions will also increase.

Table 1: Comparison of Average Market Rent in City of Hamilton based on Provincial Policy Statement Affordable House Prices and Rents Tables

Unit Type	100% AMR (new definition)	80% AMR (current definition)	Difference between 80 and 100%
Studio	\$919	\$735.20	\$183.20
1 Bedroom	\$1,142	\$913.60	\$228.40
2 Bedroom	\$1,334	\$1067.20	\$266.80
3 Bedroom	\$1,486	\$1,188.80	\$297.20

Municipalities have long advocated that growth should pay for growth. This philosophy allows municipalities to grow without undue burden on existing tax and rate payors. With insufficient Provincial funding opportunities to offset the costs of the Development Charges exemptions, the cost of the additional developments qualifying for development charge exemptions will fall to tax and rate payors. The ability to effectively implement exemptions and the cost of the ongoing administration to ensure compliance is a concern given the absence of tools / measures in the legislation.

Staff question whether the proposed changes will help achieve the Province's goal of increasing housing affordability to meet the City's housing needs. Without well-structured agreements and ongoing monitoring for developments which qualify for development charge exemptions, there is no reassurance the units will remain affordable or the savings from the development charge exemptions are passed on to the intended party. Additionally, potential consequences of the proposed changes include redirecting the cost of development charge exemptions to tax payers that are already affected by the affordability crisis and discouraging the development of larger affordable family sized units that are needed in the City.

For more detail, Council can refer to Appendix "A" to Report PED23256 representing staff comments, including concerns and requested clarifications, submitted to the Environmental Registry on this matter.

ALTERNATIVES FOR CONSIDERATION

Council may amend the staff-level comments attached as Appendix "A" to Report PED23256 or supplement the staff-level comments with additional comments.

APPENDICES AND SCHEDULES ATTACHED

Appendix "A" to Report PED23256 - City of Hamilton Staff Submission of Bill 134 –
Affordable Homes and Good Jobs Act, 2023

JA:sd