

West End Home Builders' Association

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Serving members in Hamilton and Halton Region

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To:

Ministry of Municipal Affairs & Housing

Provincial Land Use Plans Branch

777 Bay Street, 13th Floor

Toronto, ON

M7A 2J3

Proposal Number: ERO # 019-7669

WE HBA Letter: Response to Changes to the definition of an “Affordable Residential Unit” in the Development Charges Act, 1997 for the purpose of municipal development-related charge discounts and exemptions

The West End Home Builders' Association (WE HBA) is the voice of the land development, new housing and professional renovation industries in Hamilton and Burlington. The WE HBA represents 300 member companies made up of all disciplines involved in land development and residential construction. In 2022, the residential construction industry employed 23,000 people, paying \$1.6 billion in wages, and contributed over \$3.4 billion in investment value within the City of Hamilton.

As outlined in our submission last fall in response to the *More Homes Built Faster Act, 2022*, OHBA supports measures to reduce the costs of building new housing and providing more certainty for families. OHBA members are an integral contributor to achieving Ontario's bold mandate to build the 1.5 million new homes needed over the next decade. This effort is paramount to restoring housing attainability and affordability in the province. In Ontario, up to 25% of the cost of a new home is composed of government-imposed taxes, fees, and charges. Over 50% is of the aforementioned is imposed by municipal governments. Municipal taxes and levies on new homes have increased by 300%-1,000% since 2004. These charges and fees ultimately end up in the cost of the new homes and are placed on the backs of new home buyers.

We appreciate the Ministry of Municipal Affairs and Housing's (the "MMAH") effort to bring forward a proposed amendment to the *Development Charges Act* and further refine the definition for an Affordable Residential Unit to determine eligibility for corresponding discounts and exemptions from municipal development-related charges. We understand that the intention of this amendment is to facilitate for profit home builders to contribute to the development and supply of "deeply affordable housing" in Ontario.

Based on our sector's experience and expertise across the breadth of Ontario's housing markets, we do not anticipate that the proposed definition of an Affordable Residential Unit provides a sufficient incentive for private sector home builders to move forward with new housing projects catering

particularly to deep affordability at the level envisioned by the ministry. This is due to numerous factors affecting the overall condition of the market, including: the significant cost of land (this will vary dramatically across the province), challenges in securing project financing in the current interest rate environment, the high cost of materials and labour, and the impact of other taxes and charges, to cite a few key considerations. We anticipate that in Ontario's most expensive markets– the Greater Golden Horseshoe – and including but not limited to Waterloo Region, London, and Ottawa – the gap between the original proposed definition and sufficient incentives for private sector home builders is even *more substantial*. The dynamic nature of the housing market and local conditions make it terribly challenging to have a “provincial wide” approach sought through this ERO posting.

We caution the Ontario Government to set realistic expectations for what this exemption can achieve for generating market driven affordable housing supply.

We do believe that the proposed definition can be improved to potentially open the door to partnerships between private sector builders – working alongside non-profit organizations and municipalities – to cost-effectively deliver deeply affordable housing within larger private sector housing projects and developments. Based on our preliminary assessment and review of the proposed definition, informed by up-to-date data, we are providing the proposed insights and recommendations below to improve upon the proposed definition.

Current and regularly updated data is essential. Utilizing CMHC published data renders the data obsolete almost essentially from the start. Over the past several years, we have witnessed unprecedented cost and price increases across the entirety of the housing market in Ontario. These changes have immediate and profound implications on the cost of housing – whether rental or ownership – and the viability of new projects. The proposed definition envisions the Affordable Housing Bulletin as foundational for interpreting the definition of an Affordable Residential Unit in each market.

Recommendation

Update the Affordable Housing Bulletin semi-annually using the latest available data on local housing market conditions, population, and income, relying on a diverse group of credible datasets that can be generated more frequently than census data.

Modify the parameters of the Affordable Residential Unit definition for rental. It is our understanding that the proposed amendments to the definition of “Affordable Residential Unit” under the *Development Charges Act*, and the corresponding calculations used to determine an eligible unit, is intended to incentivize private sector developers to build and offer these deeply affordable housing choices.



For the purposes of the rental portion of the “Affordable Residential Unit” definition, the values used to define an eligible rental unit are not aligned with either the current or anticipated financing realities of the homebuilding sector. In a preliminary assessment of one representative market (Greater Ottawa), it is estimated that under the proposed definition, home builders will still incur a significant monthly loss despite the development-related charge exemptions. It is unreasonable to anticipate that private-sector developers will undertake such projects unless there are also other significant offsets to the overall cost, such as land being provided at no cost by a municipality or non-profit partner.

If the Ministry is committed to providing a sufficient incentive for private sector developers, we would propose consideration of the following.

Recommendation

In identifying the income-based affordable rent applicable to a residential unit, **change the threshold used for gross annual incomes for renter households from the 60th percentile to the 75th percentile; or,**

Use median income for the identified municipality, rather than gross annual income for renter households. Incomes vary dramatically across the province. Again, we heed the notion that a “one-size fits all regulation will not yield the results intended by the housing industry.

Focus development-related charge exemptions for ownership on the appropriate housing types. Under the proposed definition for “Affordable Housing Unit” applicable to tenure, there is no distinction made for housing type. As a result, applying the formula as outlined in the definition leads to outcomes that *“fail to create the necessary incentives for home builders”*. Moreover, when the formulas are used for some types of home ownership choices (such as detached and semi-detached houses and condominiums with 3+ bedrooms), the carrying costs are far above what could realistically be managed by households looking to access deeply affordable home ownership options.

We believe that this definition and its application should focus more directly on the types of housing best suited for affordable ownership, while addressing exemptions for a broader type of ownership choices for the as-yet to be defined “Attainable Housing Unit” definition.

Recommendation

Increase the annual accommodation costs threshold to a minimum of 40%, up from 30% as proposed; and **Limit the development-related charge exemptions for Affordable Housing Units in the ownership stream to a maximum of 2 bedrooms**, while offering a broad-based exemption through the forthcoming Attainable Housing Unit definition.

It is also our understanding that the legislative framework introduced through the *More Homes Built Faster Act, 2022*, envisions a separate definition governing municipal development-related charge exemptions for “Attainable Residential Units”. MMAH officials have shared with us that the establishment of this definition remains at an early stage.

OHBA has consistently supported the principle of municipal development-related charge exemptions for attainable housing. We remain confident that a carefully constructed definition for “Attainable Residential Units” can have a much greater impact for incentivizing private sector home builders to deliver a greater and broader range of housing choices that Ontarians can afford to rent or buy.

As the Ontario Government moves forward with the implementation of the measures introduced through the *More Homes Built Faster Act*, we encourage the MMAH to also consider the recommendations offered in this submission to inform their efforts regarding exemptions pertaining to “Attainable Residential Units”. We strongly advise continued and direct engagement with OHBA and the residential construction industry to ensure that our sector is empowered to deliver badly needed, attainable housing supply at a price point that many more families can afford.

We appreciate the opportunity to comment on this proposal. We look forward to continuing our ongoing engagement with the Ministry staff to ensure that our collective efforts are fulfilling our shared goals of delivering on Ontario’s housing supply targets while improving housing attainability for current and future Ontarians.

Sincerely,



Mike Collins-Williams, MCIP, RPP
Chief Executive Officer
West End Home Builders’ Association