

Finance, Administration and Audit Committee Report

DATE: Monday, March 04, 2019

WARD(S): ALL

**TITLE: PROVINCIAL HOUSING SUPPLY ACTION PLAN
CONSULTATION – UPDATE**

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

Jason Schmidt-Shoukri, Deputy City Manager, Planning and Growth Management

ACTION: FOR INFORMATION

Purpose

To provide Council with information regarding the provincial consultation document “Increasing Housing Supply in Ontario”.

Report Highlights

- The Province announced during the 2018 Fall Economic Statement that the Ministry of Municipal Affairs and Housing (MMAH) will launch a Housing Supply Action Plan in spring 2019 to increase housing supply by addressing barriers that inhibit the development of ownership and rental housing.
- The barriers have been categorized into five themes: speed, mix, cost, rent, and innovation.
- MMAH held technical consultations with select industry representatives with a focus on Ontario’s development charges framework.
- York Region, the designated Service Manager for York responsible for the provision of supported housing programs and development of housing policy, provided a response to the Increasing Housing Supply in Ontario Consultation to MMAH on January 25, 2019.
- Local municipal staff contributed comments to the Region that were submitted to MMAH.

Recommendations

1. THAT, Council receive this report for information; and
2. THAT, staff continue to monitor and review the proposed changes contemplated by the Housing Supply Action Plan and continue to work with the Region of York and other municipalities to provide comments on the proposed plan.

Background

In November 2018, the provincial government announced that the Ministry of Municipal Affairs and Housing (MMAH) will launch a Housing Supply Action Plan in the spring of 2019 to help housing affordability and increase housing supply by addressing barriers to new home ownership and rental housing. MMAH sought public input on the Increasing Housing Supply Consultation Document (Attachment 1); the consultation period closed on January 25, 2019. This consultation does not cover initiatives specifically related to community housing (e.g. social and supported housing).

The consultation focused on five broad themes which are considered to be barriers to increasing housing supply:

- Speed: It takes too long for development projects to get approved
- Mix: There are too many restrictions on what can be built to get the right mix of housing where it is needed
- Cost: Development costs are too high because of high land prices and government-imposed fees and charges
- Rent: It is too hard to be a landlord in Ontario, and tenants need to be protected
- Innovation: Other concerns, opportunities and innovations to increase housing supply

MMAH hosted further technical consultation meetings regarding the cost theme, particularly around development charges (DCs), with the development industry, municipal associations, and select municipalities by invitation. City staff did not receive an invitation to attend but were engaged in the consultation process through meetings with area treasurers and contributed comments to support York Region's response (Attachment 2). Finance staff also attended webinars hosted by the Municipal Finance Officers' Association (MFOA) and reviewed their response (Attachment 3).

Previous Reports/Authority

N/A

Analysis and Options

Development Charges and Housing Affordability – Technical Consultations

The body of this report provides a discussion on some of the key themes that emerged from the technical consultation regarding DCs and housing supply. Municipalities across Ontario are in general agreement that DCs are an important revenue tool to support the delivery of growth-related infrastructure. Any reduction to DC funding may negatively impact growth and lead to unintended consequences. It is staff's opinion that the key themes communicated by the various technical consultation participants are generally aligned to Vaughan's position.

There is no evidence that indicates lower DCs would increase housing supply and affordability.

Housing prices are driven by a multitude of factors and it is difficult to isolate the impact of a single variable such as DCs on housing prices. In the current climate of growth, Vaughan's real estate market is strong and there is no evidence that suggests reductions in DCs would reduce house prices or result in increasing housing supply.

DCs are an important revenue tool to ensure that growth pays for growth.

In its consultation document, the Province suggests that development costs are too high because of land prices and government-imposed fees and charges, including DCs. Development charges remain indisputably an important funding source for municipalities to support the delivery of growth-related infrastructure. Any changes to the current DC framework that would result in a reduction of DCs would negatively impact housing supply because the total cost of infrastructure needed to support growth would remain the same, likely requiring municipalities to recover costs from property taxes and user fees. This would result in significant funding challenges for municipalities and may have unintended consequences of restricting growth in order to maintain affordable tax and utility rates. It should also be noted that the *Development Charges Act* already requires existing taxpayers or ratepayers to subsidize a portion of growth-related expenditures by imposing ineligible services and providing a 10% discount.

This is especially true for a fast-growing municipality like Vaughan. Vaughan's unprecedented growth has presented challenges in planning for and funding different service requirements, particularly in areas of intensification as the City transforms from a bedroom community to a major urban centre with greater access to housing options. DCs are an important revenue tool to help fund growth driven transformative developments, such as the VMC, and signature amenities such as the Edgeley Pond and Park.

There are other more effective tools to affect housing supply and affordability than DCs.

Housing supply and affordability needs are different in each municipality and many municipalities have used a range of tools to incentivize certain types of development. For example, the City of Vaughan has a Community Improvement Plan (CIP) for the Vaughan Metropolitan Centre (VMC) and other intensification areas to attract office development. York Region also offers DC and property tax relief to certain qualifying developments to encourage affordable and purpose-built rental housing. The current DC framework provides flexibility for municipalities to introduce policy tools to meet their particular needs. Further information regarding the York Region Rental Housing Incentives Guideline is provided under the Broader Regional Impacts/Considerations section of this report.

Financial Impact

Legislation or policy changes that result in a reduction in DC funding, or other growth-related fees, including planning and building approval fees, would likely require the City to shift more of the recovery costs to property taxes and utility rates. This would negatively impact the City's ability to put in place the infrastructure required to support growth, challenge the City's long-term financial sustainability, and add pressure to the City's property tax and utility rate base.

Broader Regional Impacts/Considerations

As prescribed under the *Housing Services Act*, 2011, York Region is the designated Service Manager for York and is responsible for the provision of supported housing programs and development of housing policy. To support York Region in fulfilling this mandate, lower-tier municipalities provide input on a variety of housing initiatives.

In 2016, York Region established the York Region Local Municipal Housing Working Group to provide a forum for dialogue regarding housing matters relevant to the Region. The focus of the Working Group is the development of a Rental Housing Incentives Guideline, which was received by Regional Council in [draft form](#) on June 21, 2018. Vaughan staff provided comments from affected City Departments on the draft Incentives Guideline, which included consultation on aspects of the development review process such as DCs and application fees.

With respect to the Provincial Housing Supply Consultation, York Region provided a response to the Ministry of Municipal Affairs and Housing dated January 25, 2019 (Attachment 2). The response considers similar focus areas as the draft Incentives Guidelines. Some of the highlights of the Region's response to MMAH are as follows:

- there is a healthy supply of housing to accommodate growth in York Region, however there is a lack of affordable ownership and rental housing
- a number of factors contribute to the speed it takes to get development approvals, such as the quality and complexity of planning and development applications
- governments are increasingly using technology to improve the timing of development applications, such as developing programs for the digital submission of planning and development applications
- planning tools, such as inclusionary zoning and height and density bonusing, are available to municipalities to encourage the right housing mix and should continue to be used
- surplus publicly owned land, which is accessible to transit, community services and amenities, should be offered at no or minimal cost for affordable housing and surface parking lots at GO Transit stations could be used for affordable and subsidized rental housing and parking structures

Vaughan Council received a Staff Report “Housing for Persons with Disabilities Response to Council Resolution (Item 13, Report No. 44)” at the Committee of the Whole meeting on Tuesday, January 22, 2019:

<https://pub-vaughan.escribemeetings.com/filestream.ashx?DocumentId=9568>.

City staff are currently working with York Region on several initiatives regarding affordable housing to develop the strategies and implementation tools necessary to achieve the affordable housing targets established in VOP 2010, including a provision for accessible units. As part of the Region’s Municipal Comprehensive Review (York Region Official Plan Review), City staff will participate in the review of the Housing Strategy for York Region, which will include an analysis of the affordable housing sector and policy framework in York.

Conclusion

City staff will continue to monitor the developments of the Housing Supply Action Plan and work with York Region and other municipalities across Ontario to consider ways to increase the housing supply and housing affordability within the existing framework.

For more information, please contact: Maggie Wang, Manager, Corporate Financial Planning and Analysis, ext. 8029 or Fausto Filipetto, Manager of Long-Range Planning, ext. 8699.

Attachments

1. Ministry of Municipal Affairs and Housing's Increasing Housing Supply in Ontario Consultation Document
2. York Region Staff Comments in Response to the Increasing Housing Supply in Ontario Consultation
3. MFOA Technical Response to: Increasing Housing Supply in Ontario, A Consultation Document

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