

YORK REGION
AFFORDABLE
HOUSING
MEASURING and MONITORING
GUIDELINES UPDATE



JUNE 2018



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Introduction

Purpose of the Affordable Housing Measuring and Monitoring Guidelines

The York Region Affordable Housing Measuring and Monitoring Guidelines provide a standard approach to implement the York Region Official Plan (“YROP”) affordable housing targets. The targets require that 35% of new housing in the Region’s Centres and key development areas be affordable and that 25% of new housing outside of those areas be affordable.

Achievement of the YROP affordable housing targets will help ensure our communities are healthy, economically stable and environmentally sustainable.

Need for Affordable Housing Options

The number of residents facing affordability pressures is increasing and the income gap is expanding in York Region. These trends impact a wide spectrum of the Region’s population, including:

- Low and moderate income earners, such as those that are beginning their careers or that work in lower paying industries that support the broader community;
- Newcomers to the Region who need housing in order to secure employment and integrate with the community; and,
- Older residents who may have fixed incomes and wish to remain in their communities to maximize their health and well-being.

The diversity of jobs in York Region provide a full range of income levels, but there is a mismatch between the housing options that are available and the workforce, which contributes to the Region having one of the lowest live/work ratios in the Greater Toronto Area. Where housing, especially affordable housing, is located plays an important role in the Region’s economy. When affordable housing options are available in proximity to employment, travel times and stress are reduced which increases productivity and lowers absenteeism. This in turn increases the ability of the Region’s employers to attract and retain employees. Reduced travel times also result in less demand on the road network and a decrease in air pollution.

Our communities require a full mix and range of housing options to support our urban structure and transportation and social networks, while promoting healthy communities, a strong economy, and a clean environment.

Policy Context

The Affordable Housing Measuring and Monitoring Guidelines are based on Provincial, Regional and Local housing-related policies which are hierarchical and connected. Provincial policy provides direction that is incorporated into Regional and Local Official Plans, with increasing levels of detail. The Province is the approval authority for the Regional Official Plan and the Region is the approval authority for local Official Plans, resulting in overall policy consistency.

Provincial policy requires that the Region establish, work towards achieving and monitor affordable housing targets. *The Planning Act, 1990* identifies that the adequate provision of a full range of housing, including affordable housing, as a Provincial Interest. It includes a number of planning tools that municipalities can consider using to help achieve a full mix and range of housing options. The *Provincial Policy Statement, 2014* and the *Growth Plan for the Greater Golden Horseshoe* include an affordable housing definition that establishes upper affordable housing thresholds, as well as direction to implement affordable housing targets. *The Housing Services Act, 2011* requires that the Region develop a 10-Year Housing Plan, including the establishment and monitoring of targets.

The Region's strategic policy framework is aligned to support Provincial requirements for a full mix and range of housing options. The following strategic policy documents contain inter-related policies and goals that promote the maintenance, creation and monitoring of affordable housing:

- Vision 2051
- York Regional Official Plan
- 2015 to 2019 Strategic Plan
- York Region 10-Year Housing Plan

The Region supports a number of programs to promote and facilitate the development of new affordable and/or non-profit housing, including:

- Management and support of social housing units and programs
- Make Rental Happen Collaborative Advocacy Plan
- Multi-residential tax equalization
- Preferred servicing allocation
- Relief from development charges
- Acceptance of social housing units in exchange for height and density bonuses (in partnership with local municipalities).

Additionally, the Region is striving to promote mid-range affordable housing options in partnership with local municipalities through the York Region/Local Municipal Housing Working Group, including the development of a Mid-Range Income Housing Incentives Framework, which is scheduled to be finalized in Q1 of 2019.

Components of the Guidelines

The Affordable Housing Measuring and Monitoring Guidelines include three main topics:

1. **Affordable Housing Thresholds** – How maximum affordable housing price thresholds are calculated.
2. **Affordable Housing Monitoring** – How regional staff will monitor and report on new affordable housing completions and delivery of YROP affordable housing targets.
3. **Affordable Housing Monitoring Sensitivity Analyses** – How regional staff will monitor and report on new affordable housing with consideration of depth of affordability and built form.

These topic areas are interdependent and will result in the consistent measurement of the supply of new affordable units, which supports evidence based policy responses to address housing needs. In Q1 of each year, Regional staff calculate updated thresholds as of year-end of the previous year and analyze new sales from the previous year for affordability. This information is reported out in June of each year as an Appendix to the 10-Year Housing Plan Progress Reports.

1. Affordable Housing Thresholds

Affordable housing thresholds provide the maximum price limit of what is considered “affordable” from a development commitments and monitoring perspective. They are calculated annually by tenure based on Provincial legislation and definitions.

Tenure categorizes housing units into those that are owned and those that are rented:

- **Ownership** housing refers to units that are intended for private ownership and includes condominium units.
- **Rental** housing refers to units that are rented to a second party and can include traditional private purpose built rental units, government assisted/non-profit rental developments and secondary suites.

In York Region a substantial percentage of condominium units are rented. However these units will not be counted towards affordability from a rental perspective due to data limitations and concerns around the potential to double count the units. These units will be captured within the ownership category, if applicable.

The calculated affordable housing thresholds provide a benchmark for local municipal staff and development proponents to reference when determining affordable housing targets and commitments and for regional staff to use when monitoring new affordable housing units.

Inflation can create discrepancies in what price is considered affordable between when a development application is submitted and when residential units are available for sale. It is not expected that future developments will meet current thresholds. Rather, the current thresholds provide a base in order to make reasonable assumptions on what future thresholds may be.

Appendices A and B provide detailed descriptions of the calculations used to establish ownership and rental affordable housing thresholds respectively.

In York Region, ownership thresholds will be determined region-wide and for each local municipality. The rental threshold will be determined on a region-wide basis.

The Region updates and publishes affordable housing thresholds on an annual basis.

2. Affordable Housing Monitoring

The Region monitors new affordable housing units on an annual basis and publishes the findings.

In order to comprehensively capture all new affordable units, there are five components to the monitoring exercise:

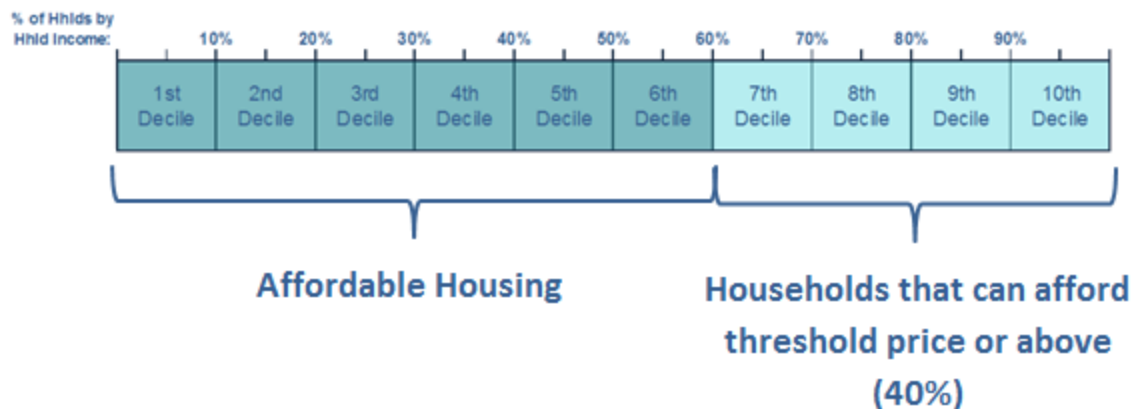
1. New ground-related private ownership
2. New high-density private ownership
3. New private purpose built rental
4. New government assisted/non-profit rental
5. New secondary suites

Appendix C contains details on the technical process used to track each component of the monitoring exercise.

Technically, as shown in Figure 1, affordable ownership housing thresholds provide a maximum price that is “affordable” to 40 percent of households (i.e. measured to the sixth decile of the income distribution).

Figure 1:

Household Income Distribution and Affordable Ownership Income Based Thresholds



The number and percent of ownership units achieving the affordability threshold and the number of new rental units will be reported on annually; and compared to the Regional requirements that 35% of new housing in the Region’s Centres and key development areas be affordable and that 25% of new housing outside of those areas be affordable.

3. Monitoring Sensitivity Analyses

In order to gain a more fulsome understanding of housing market gaps, staff will monitor and report on new affordable housing with consideration of depth of affordability and built form.

Depth of Affordability

Provincial and Regional policy requires that an appropriate range of housing be provided for all current and future residents and workers. Therefore, although the affordable housing thresholds provide an upper price limit, they do not consider the need for housing for households with incomes below this limit. As such, the Region supplements the monitoring exercise with a sensitivity analysis which provides information on the number and percent of new units that are affordable to 50 percent and 60 percent of households annually (i.e. at the fifth and fourth deciles of the income distribution respectively).

Income Thresholds by Built Form

The ownership affordable housing threshold income analysis determines the maximum affordable housing price based on the incomes of all existing households at the sixth decile of the income distribution. This threshold is then used to measure the affordability of new units.

There is a mismatch between the structure types of the households that the incomes are derived from and the structure types of the households monitored:

- 15% of the households used to determine the affordable threshold reside in high density units¹
- 49% of the units monitored for affordability are high density (Figure 2)²

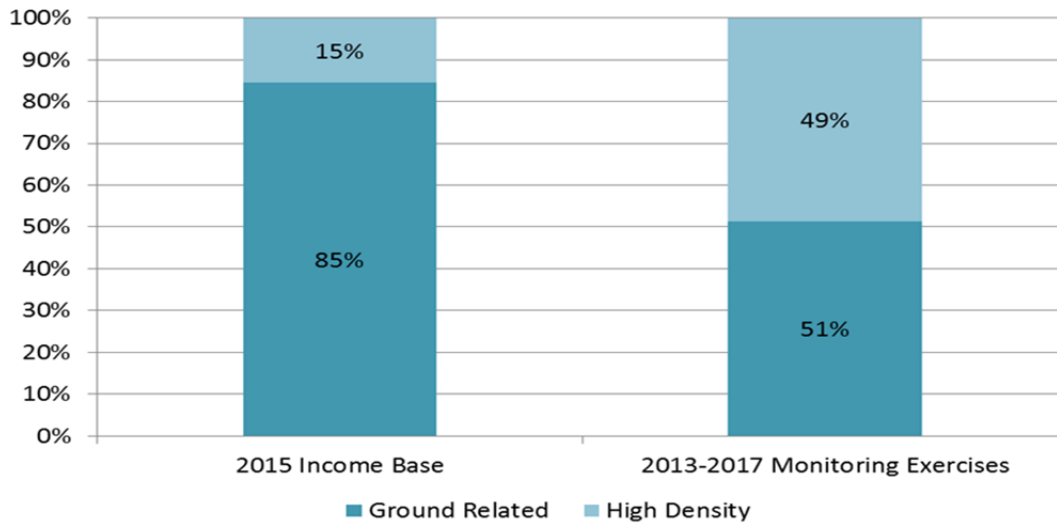
The result of this mismatch is that the affordable housing monitoring exercise disproportionately captures condominium developments as affordable.

¹ 2016 Census base data

² Units monitored from 2013 to 2017

Figure 2

Structure Type Breakdown of Households Used for Thresholds vs Monitored, 2013-2017



The structure type mismatch is addressed through the incorporation of a sensitivity analysis which uses the incomes of households in the built form being monitored to set the affordability thresholds. That is, ground related household incomes at the sixth decile of the income distribution are used to measure the affordability of ground related units and high density household incomes at the sixth decile of the income distribution are used to measure the affordability of high density units. While this approach deviates from the Provincial definition of affordable, staff feel that this analysis provides a better reflection of true on the ground affordability. Through this analysis, staff have a better understanding of progress made towards meeting the affordable housing needs of our residents and workers.

Conclusion

The provision of a full mix and range of housing options is a legislated requirement and a key component of building complete communities. York Region is forecasting strong growth and a shift to a more diverse and urbanized population and urban structure. Applying affordable housing targets to this growth will help ensure that the housing needs of our residents and workers are met.

Affordable housing targets have been included in the Regional Official Plan since 1994. This standardized approach in effect since 2015, allows for the consistent identification and measurement of the supply of new affordable units, which support evidence based policy responses to housing needs.

The methodologies outlined in the Affordable Housing Measuring and Monitoring Guidelines are used to establish affordability thresholds and monitor new affordable housing units. These methodologies will be monitored on an on-going basis and adjusted as required.

Appendix A: Ownership Affordable Thresholds

Definitions and Context

The *Provincial Policy Statement, 2014* includes a definition for “affordable” which is included in the *Places to Grow: The Growth Plan for the Greater Golden Horseshoe* and the *York Region Official Plan*. This is the ownership portion of the definition:

Affordable: means

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

1. 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
2. housing for which the purchase price is at least 10 percent below the average purchase price of a resale unit in the regional market area.

This definition for “affordable” includes two other defined terms: “low and moderate income households”, and “regional market area”.

The *Provincial Policy Statement, 2014*, *Growth Plan* and *YROP* provide a consistent definition of low and moderate income households. This is the ownership portion of the definition:

Low and moderate income households: means

a) in the case of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the regional market area

The term “regional market area” is defined in both the *Provincial Policy Statement*, and the *Growth Plan*, however these definitions are not identical. The *Provincial Policy Statement, 2014* definition reads:

Regional market area: refers to an area that has a high degree of social and economic interaction. The upper or single-tier municipality, or planning area, will normally serve as the regional market area. However, where a regional market area extends significantly beyond these boundaries, then the regional market area may be based on the larger market area. Where regional market areas are very large and sparsely populated, a smaller area, if defined in an official plan, may be utilized.

The *Growth Plan* definition reads:

Regional market area refers to an area, generally broader than a lower-tier municipality, that has a high degree of social and economic interaction. In the *GGH*, the upper or single-tier municipality will normally serve as the regional market area. Where a regional market area extends significantly beyond upper or single-tier boundaries, it may include a combination of upper, single and/or lower-tier municipalities.

Threshold Calculations

In order to determine the ownership threshold, two calculations are performed and the lower of the two results is deemed to be the maximum threshold. These calculations are typically referred to as the “income based calculation,” which is based on gross household income (i.e. subclause 1 of the definition for affordable) and the “market based calculation,” which is based on resale purchase prices (i.e. subclause 2 of the definition for affordable).

Income Based Affordable Ownership Housing Threshold

The equation used to determine the income based ownership threshold is as follows:

$$(HI * GDS / 12) / (PT + MI + (1 - DP) * MF)$$

- HI: average annual household income at the 60th percentile of the income distribution
- GDS: gross debt service (30%)
- PT: property tax factor (proportion of house value per month)
- MI: mortgage insurance (as a proportion of house value per month)
- DP: down payment (percent down)
- MF: mortgage factor (calculated using a standard loan payment)

The equation used to determine the mortgage factor is as follows:

$$PMT \left(\frac{1 + Rate}{2} \right)^{(2/12) * AM - 1} / AM^{12 - 1}$$

- PMT: monthly loan payment
- AM: amortization period

The following inputs and assumptions are used to determine the thresholds based on the above calculations:

1. Average annual household income at the 60th percentile is based on a custom census data order.
2. Average annual household income at the 60th percentile is updated to the current year of analysis based on the Bank of Canada unadjusted consumer price index.
3. Property taxes include regional, local and school taxes and are updated based on a local municipal scan conducted in Q1 of each year.
4. The mortgage insurance standard premium rate is posted by the Canadian Housing and Mortgage Corporation.
5. A 5% down payment and a 25-year amortization period is assumed for the first \$500,000. A 10% down payment is applied to the remaining value of the dwelling.
6. The mortgage interest rate is the annual average of the five-year conventional mortgage rates published by the Bank of Canada.

Market Based Affordable Ownership Housing Threshold

In order to determine the market based affordable ownership threshold, Toronto Real Estate Board Market Watch reports are referenced.

Staff determine the region-wide average purchase price of a resale unit for the calendar year and reduce said price by 10%.

Since the Region began calculating the affordable ownership threshold in 2006, the income based affordable ownership housing threshold calculation has yielded a lower value than the market based calculation and has therefore been used to determine the affordable ownership threshold.

Regional Ownership Thresholds Provide Upper Limits for Local Municipalities

Throughout the Region there are significant variations in average household income by local municipality which in turn impacts the maximum income-based affordable housing threshold. As such, ownership thresholds are calculated both on a region-wide basis and by local municipality. The Regional threshold provides the upper price limit of what is considered affordable for each municipality. For municipalities that have thresholds higher than the regional threshold, the regional threshold is applied and for municipalities that have thresholds lower than the regional threshold, the local threshold is used for commitment and monitoring purposes.

Appendix B: Rental Affordable Thresholds

Definitions and Context

The *Provincial Policy Statement* includes a definition for “affordable” which is included in the *Places to Grow: The Growth Plan for the Greater Golden Horseshoe* and the *York Region Official Plan*. This is the rental portion of the definition:

Affordable: means

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

1. a unit for which the rent does not exceed 30 percent of gross annual household income for low and moderate income households; or
2. a unit for which the rent is at or below the average market rent of a unit in the regional market area.

This definition for “affordable” includes two other defined terms: “low and moderate income households”, and “regional market area”.

The *Provincial Policy Statement, 2014, Growth Plan* and *YROP* provide a consistent definition of low and moderate income households. This is the rental portion of the definition:

Low and moderate income households: means

b) in the case of rental housing, households with incomes in the lowest 60 percent of the income distribution for renter households for the regional market area.

The term “regional market area” is defined in both the *Provincial Policy Statement*, and the *Growth Plan*, however these definitions are not identical. The *Provincial Policy Statement, 2014* definition reads:

Regional market area: refers to an area that has a high degree of social and economic interaction. The upper or single-tier municipality, or planning area, will normally serve as the regional market area. However, where a regional market area extends significantly beyond these boundaries, then the regional market area may be based on the larger market area. Where regional market areas are very large and sparsely populated, a smaller area, if defined in an official plan, may be utilized.

The *Growth Plan* definition reads:

Regional market area refers to an area, generally broader than a lower-tier municipality, that has a high degree of social and economic interaction. In the GGH, the upper or single-tier municipality will normally serve as the regional market area. Where a regional market area extends significantly beyond upper or single-tier boundaries, it may include a combination of upper, single and/or lower-tier municipalities.

Threshold Calculations

In order to determine the rental threshold, two calculations are performed and the lower of the two results is deemed to be the maximum threshold. These calculations are typically referred to as the “income based calculation,” which is based on gross household income (i.e. subclause 1 of the definition for affordable) and the “market based calculation,” which is based on market rental rates (i.e. subclause 2 of the definition for affordable).

Income Based Affordable Rental Housing Threshold

The equation used to determine the income based rental threshold is as follows:

$$(HI * GDS / 12)$$

- HI: average annual household income at the 60th percentile of the income distribution for renter households
- GDS: gross debt service (30%)

The following inputs and assumptions are used to determine the thresholds based on the above calculations:

1. Average annual household income at the 60th percentile for renter households is based on a custom census data order.
2. Average annual household income at the 60th percentile is updated to the current year of analysis based on the Bank of Canada unadjusted consumer price index.

Market Based Affordable Rental Housing Threshold

The market based rental affordable threshold calculation uses data from the annual CMHC Rental Market Reports which defines rent as “the actual amount tenants pay for their unit. No adjustments are made for the inclusion or exclusion of amenities and services such as heat, hydro, parking, and hot water.”

Since the Region began calculating the affordable rental threshold in 2006, the market based affordable rental housing threshold calculation has yielded a lower value than the income based calculation and has therefore been used to determine the affordable rental threshold for these years.

Regional Rental Thresholds Based on 125 per cent of Average Market Rent

The market based rental threshold calculation states that any unit for which the rent is at or below the average market rent would be considered “affordable”. In York Region, the majority of the private rental stock (greater than 75%) is from buildings constructed before 1980. To apply the average rents of these developments to new construction, which has higher building code standards and amenity expectations, is not realistic. In order to address this discrepancy, the rental threshold used to gauge affordability in York Region is 125 per cent of average market rent of existing private apartments.

The provision of a single rental threshold has the unintended consequence of all affordability requirements being satisfied through smaller sized units. As such, a threshold of 125 per cent of average market rent of private apartments is calculated for each bedroom type identified in the annual CMHC Rental Market Reports (see Figure 3 for illustrative example). The rental threshold of 125 per cent of average market rent by bedroom type is used for monitoring purposes when possible, as well as for evaluation of site specific achievement of affordability.

Figure 3

Illustration of York Region Affordable Rent Threshold (125% Average Market Rent)

	Bachelor	1-Bedroom	2-Bedroom	3-Bedroom	Total
Average Market Rent (100%)	\$1,000	\$1,400	\$1,700	\$1,900	\$1,600
Provincial Affordable Threshold					\$1,600
York Region Affordable Thresholds	\$1,250	\$1,750	\$2,125	\$2,375	

Appendix C: Monitoring Process

Components of Monitoring

There is no accessible single data source that includes all of the relevant monitoring information. In order to capture all types of new affordable units, there are five components to the monitoring exercise:

1. New ground-related private ownership
2. New high-density private ownership
3. New private purpose-built rental
4. New government assisted/non-profit rental
5. New secondary suites

Below are the details on how each component is tracked.

New ground-related private ownership (1)

New ground-related private ownership units are captured from Teranet¹ Land Transfer Reports. This captures the transfer prices of new units as well as the date of sale.

Locational information is extracted from Teranet data using a complex process of calculating the geographic location, based on the provided Teranet PIN number. This provides a location based analysis of current activity and emerging patterns.

Also, the Teranet report contains all types of land transfers and does not include explicit information on whether each land transfer record is a resale, new sale or other type of transfer. Therefore a number of assumptions² are made in order to isolate the new sales.

It should be noted that, as a result of this data processing and usage of new sale assumptions, some new sale records may be unintentionally excluded from the analysis.

New high density private ownership (2)

New high density private ownership units are captured through a custom data order from RealNet Canada Inc.³ which provides an approximate number of high density sales above and below the affordable housing thresholds established each year.

The RealNet dataset provides the number of sales within a given development by bedroom type (e.g. bachelor, 1-bedroom, etc.) as well as the range of asking prices by bedroom type (e.g. \$300,000 to

¹ Teranet is an international leader in electronic land registration and is the exclusive provider of online property search and registration in Ontario. The company developed, owns and operates Ontario's Electronic Land Registration System (ELRS) and facilitates the delivery of electronic land registration services on behalf of the Province.

² Assumptions include (1) sale occurred during target calendar year, (2) "Party from" (i.e. seller) includes the words "limited", "corp", "inc." or "ltd.", (3) "Party to" (i.e. buyer) is not a company or government organization, (4) sale price is greater than \$100,000, (5) Seller has sold more than 2 units in a given year, (6) obvious geographic outliers excluded.

³ RealNet Canada Inc. has developed a comprehensive property market information platform which is used to perform research and analysis.

\$360,000 for a 1-bedroom). The analysis is conducted using the median asking price by development and bedroom type.

New private purpose built rental and government assisted/non-profit rental (3 & 4)

Total new rental completions by local municipality are derived from the CMHC Housing Market Tables: Selected South Central Ontario. New government assisted/non-profit unit completions are tracked through the Regions Community and Health Services programs. The government assisted/non-profit completions are subtracted from the total completions by local municipality in order to determine the private market rental completions by local municipality.

All new government assisted/non-profit units are considered “affordable”. Currently all new private purpose built rental units are also considered “affordable” due to data limitations. Staff will work with local municipal staff and development proponents to determine the affordability of any new private rental units, where possible.

New Secondary Suites (5)

New secondary suite units are tracked through a scan of local municipal registries. Secondary suites that are not registered with the municipality will not be counted towards affordability targets.

All new secondary units will be considered “affordable”.

Sensitivity Analyses

As is articulated in the body of this document there are two sensitivity analyses conducted annually on the affordable ownership housing data in order to better understand the depth of affordability being achieved and the impact of analyzing ground related units distinctly from high density units. The data sources used to monitor affordability for these sensitivity analyses is the same as outlined above in the Components of Monitoring section.

Adjustments to the monitoring exercise may be made if more detailed and/or reliable data becomes available or more refined processes are established. For example, links to building permits and/or registered plans could be established in the future.

Adjustments may also be made if it is found that specific areas of need are not being addressed. For example, *YROP* policy requires that a portion of affordable housing units should accommodate larger families, seniors, residents with special needs and be accessible for people with disabilities.

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