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Co-operative Housing Federation of Canada Ontario Region (CHF Canada) submission to the Ontario Ministry of Housing and Poverty Reduction regarding the proposed regulations under the *Planning Act* related to inclusionary zoning.

CHF Canada Ontario Region is the voice of some 550 non-profit housing co-operatives, home to approximately 125,000 Ontarians. For over 45 years, housing co-operatives have provided good quality, community-based, mixed income housing. We appreciate the opportunity to comment on the proposed regulations on inclusionary zoning.

CHF Canada warmly welcomed the Province's introduction of enabling legislation for inclusionary zoning as part of the *Promoting Affordable Housing Act, 2016*. Inclusionary zoning is a proven tool that can help municipalities experiencing significant housing development to ensure that some of this development is inclusive and contributes to creation of affordable housing. On its own inclusionary zoning will not fix the affordable housing shortage in Ontario, but if implemented properly it has the potential to be an importance source of new affordable housing units. Given the severe shortage of affordable rental housing, in particular, it is imperative that the province and municipalities use all of the tools at their disposal to address this need.

After reviewing the proposed regulations, we are very concerned that the proposed system will not achieve its intended goal and will not be a viable tool to help municipalities create affordable housing. Below we have outlined the areas of most significant concern for CHF Canada with the current regulations. We hope that the province will take the opportunity following the public consultation period to redraft the regulations with a focus on increasing the potential for much needed affordable rental housing to be created.

Allow municipalities to determine set-asides

The maximum unit set asides included in the regulations are far lower than the standard set in other jurisdictions with inclusionary zoning, and unnecessarily limit the positive impact that

inclusionary zoning could have in Ontario. A set aside of 20% is far more common in North America, and in some cases is much higher. CHF Canada recommends that the province allow municipalities to determine the set aside based on their local housing market.

Research on inclusionary zoning policies in the United States has suggested that when a local government increases the set-aside, neither the developer nor the future buyers of market units bear the cost. Rather over time that cost is passed down to the value of the land, which would be a net positive effect in many areas in Ontario where the high cost of land is a major contributor to unaffordable housing prices. This will not work in all housing markets but finding the right set aside for a particular housing market should be left to the municipality and guided by an attempt to create as much affordable rental housing as possible without negative impact on the greater housing market. The set asides in the proposed regulations fall well short of that goal and are unusually low.

Prioritize creating affordable rental housing

The current regulations creates an environment where affordable homeownership units are the most likely outcome of inclusionary zoning. Taxpayers would be responsible for 40% of the cost of these units as municipal contributions while the units would serve a relatively small proportion of the population who are generally well served by the private rental market.

Given Ontario's current housing market this is a lost opportunity. The most significant shortage in the housing market is for affordable rental housing. Many municipalities in the GTHA are experiencing record low vacancy rates, and the province-wide vacancy rate has reached 1.6%, well below the healthy market rate of 3%. At the same time 42% of Ontario's renters are in core housing need, paying 30% or more of their income on rent.¹ To have the most significant positive impact on the province, inclusionary zoning should be focused on creating affordable rental units as the priority. Currently, however, there is not a clear path for inclusionary zoning affordable rental supply.

CHF Canada understands the government's decision to exclude rental development from inclusionary zoning given the limited purpose-built rental housing development in Ontario over the past 20 years. We believe that instead of enshrining this in regulation it should be up to the municipality to assess their local housing market over time to determine if the exemption is in the public interest. That said, the priority for a "made in Ontario" inclusionary zoning system should be to create a clear path for creating a new supply of affordable rental units in homeownership developments.

To achieve this, the province should allow municipalities to set the tenure form for inclusionary zoning units. Significant proportions of new ownership housing developments already end up in the rental market, by making inclusionary zoning units in this housing rental the province can

¹ Rental Housing Index. "Ontario housing market". <http://rentalhousingindex.ca/>

help create a stable supply of affordable rental housing. The City of Toronto has achieved significant public benefit by using Section 37 provisions to create affordable rental housing in condominiums operated by the non-profit and co-op providers, this should be the priority of any inclusionary zoning system.

Remove the limit on inclusionary zoning units for off-site buildings, and restrict offsite to non-profit and co-op providers

CHF Canada recommends removing the restriction that no more than 50% of the units in the offsite development can be inclusionary zoning units, and instead restrict offsite inclusionary zoning units to units transferred to non-profit and co-ops providers.

The current regulation will make it extremely difficult for non-profit and co-op providers to play a role in delivering offsite housing. Few non-profits or co-ops have the means to build and market, market rate housing and there is little public interest in our organizations developing the capacity to do so.

The regulation also overlooks past experience in Ontario where off site development created valuable non-profit and co-op housing communities that are still providing affordable rental housing in mixed income communities today. A number of CHF Canada's member housing co-ops in Toronto were created as turnkey projects by private developers to meet there affordable housing requirements at the time. This housing remains a valuable part of Ontario's affordable rental housing supply because it is co-op housing. If it had remained in the private sector, it would almost certainly have been converted to condo or market rent housing after the affordability period expired. The province would be better served by ensuring these units remain available to low-income and middle income households for the long-term.

A refocused inclusionary zoning policy

The housing market in Ontario is not serving low-and middle income Ontarians well. The Long-term Affordable Housing Strategy set the goal of ensuring that every Ontarian has the opportunity to live in a decent, affordable home. To achieve this goal, government needs to loosen restrictions in the current draft regulations to allow municipalities' greater freedom to create their own policies on inclusionary zoning, and to refocus on creating affordable rental housing.