

The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
January 14, 2021

Report of the Commissioner of Corporate Services and Chief Planner

Regional Official Plan Update Housing Challenges and Opportunities

1. Recommendations

1. Council endorse the housing policy directions summarized in this report and further described in Attachment 1 to support development of draft policies required for Provincial conformity that will be presented to Council as part of the Regional Official Plan Update through the Municipal Comprehensive Review.
2. Council direct staff to continue to work with key stakeholders, including local municipal staff and the development industry in an effort to find solutions to the lack of affordable housing options for current and future residents.
3. The Regional Clerk forward this report and attachments to the Clerks of the local municipalities, the Ministry of Municipal Affairs and Housing, and the York Chapter of BILD.

2. Summary

York Region is not achieving housing affordability targets and in recent years has fallen short of forecasted growth levels. Through this report, the correlation between lagging population growth and a lack of affordable housing options is explored along with some of the associated implications (Attachment 2). This report also provides a suite of innovative approaches available to increase housing options (Attachment 3), and housing policy directions prompted by updates to Provincial Plans and to support future work on expanding housing options (Attachment 1). The report recommends ongoing further work required to expand housing options.

Key Points:

- York Region is not achieving anticipated population growth and housing affordability targets set out in the Regional Official Plan
- The lack of affordable housing options has been highlighted by Watson and Associates Economists (Watson) as one factor that has led to slower growth in the Region over the last decade

- Not achieving anticipated population growth forecasts can adversely affect development charge recovery and planned infrastructure timing, and a lack of affordable housing impacts Regional efforts to achieve complete communities
- A suite of approaches available to address the lack of affordable housing options is provided for ongoing collaboration with key stakeholders
- Proposed housing policy directions to update the Regional Official Plan (ROP) as part of the Municipal Comprehensive Review (MCR) conform with updated Provincial Policies, support future work on expanding housing options and are outlined in Attachment 1

3. Background

Housing our residents is a major contributor to community health and well-being

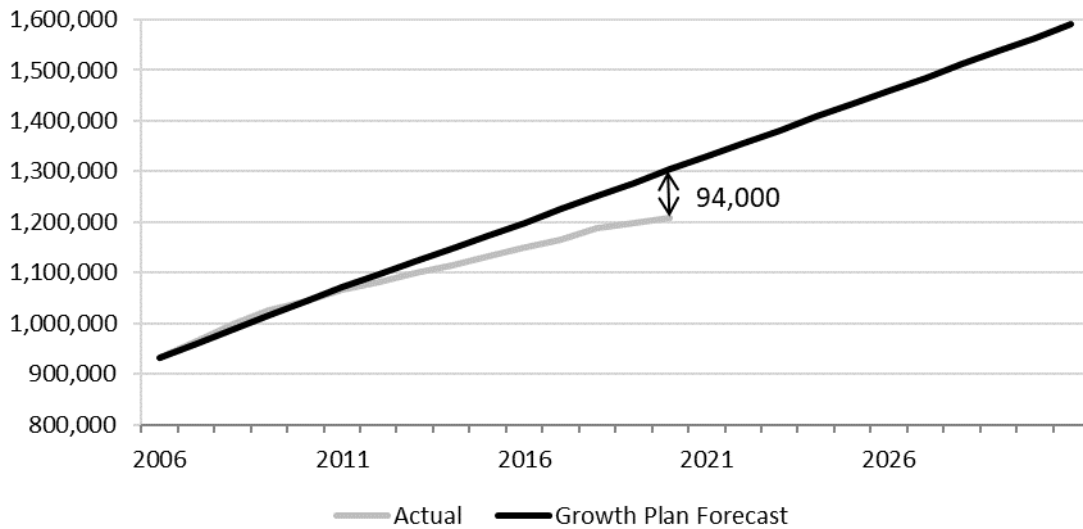
“Housing Options” refers to a range of housing types such as, but not limited to single detached, semi-detached, rowhouses, townhouses, stacked townhouses, multiplexes, additional residential units, tiny homes, multi residential buildings. The term can also refer to a variety of housing arrangements and forms such as life lease housing, co-ownership housing, co operative housing, community land trusts, land lease community homes, affordable housing, housing for people with special needs, and housing related to employment, institutional or educational uses.

A robust housing supply and full mix and range of housing options, including affordable options is integral to building complete communities where people of all ages, stages and incomes can live, work and play. Complete communities provide housing options for all residents and workers that results in more inclusive communities, reducing the need for long commutes and the associated climate related impacts that accompany them. A variety of affordable options support economic development and is a major contributor to individual and community health and well-being. Revisions being contemplated to update housing related policies in the ROP conform with Provincial policy direction and support future work on expanding housing options, including affordable options.

Despite meeting provincial supply requirements, York Region is not meeting anticipated population forecasts

Population forecasts are prescribed by the Provincial Growth Plan and municipalities are required to plan to achieve them. In [July 2020](#), Council was advised that the Region was below forecasted population growth by approximately 94,000 people (Figure 1). Planning to achieve population forecasts requires growth and infrastructure investment. If the infrastructure is underutilized, it is not fiscally sustainable. Some land supply in York Region is currently constrained as it is awaiting servicing infrastructure, however, as outlined in the June 2020 [Housing Supply Update Memo](#) to Council, York Region is currently meeting Provincial land supply requirements which suggests the lag in population growth is not tied to a limited land supply.

Figure 1
Population Growth (actual and forecast), 2006-2031



Source: York Region Planning and Economic Development Branch

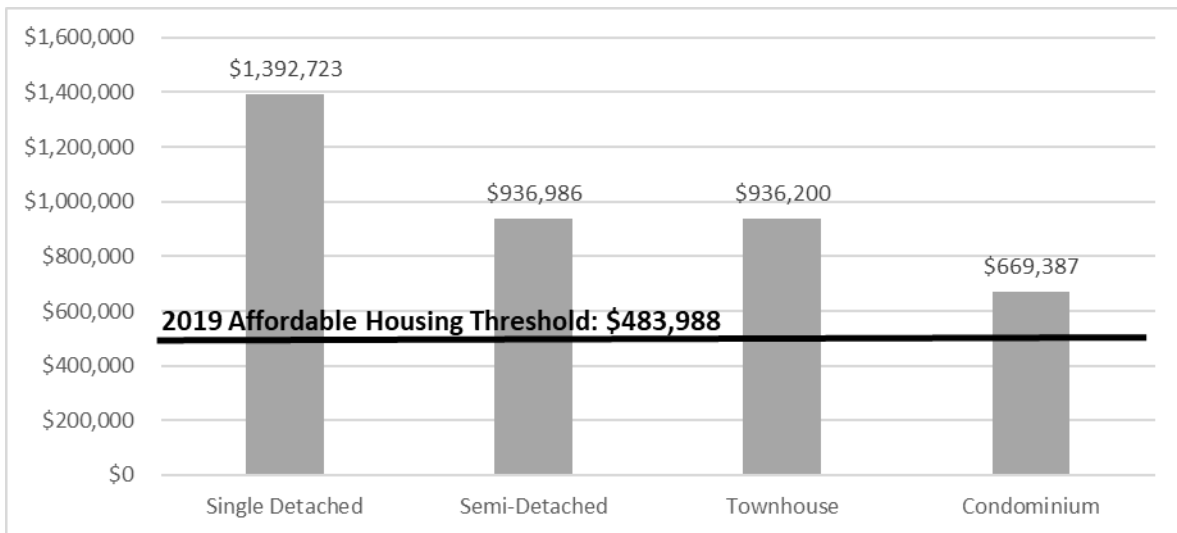
In [June 2019](#), Council was advised of some of the risks and implications of not achieving population growth targets. Lower than expected growth creates financial challenges and hinders the timing of the Region’s ability to pay down debt and build capacity for additional infrastructure investment needed to achieve the provincial 2051 forecasts of 2.02 million people and 990,000 jobs.

Housing affordability targets are not being met in York Region, challenging complete community initiatives

The ROP includes policy that 35% of new housing in Regional Centres and key development areas be affordable and that 25% of new housing outside of those areas be affordable. The affordability of new ownership housing and the supply of new purpose-built rental housing is [monitored annually](#). The [2019 monitoring report](#) advised Council that only 11% of new ownership housing units were affordable, 99% of which were studio or 1-bedroom condominiums and not suitable for families. The report also advised that only 3% of new housing was classified as purpose built rental housing.

In 2019 the affordable housing threshold was approximately \$484,000. As is shown in Figure 2, the average cost of all new housing types is greater than the thresholds, and the gap between the affordable housing threshold and average market prices is a barrier to home ownership in York Region for many households.

Figure 2
York Region Affordable Housing Threshold and Average Cost of New Homes
(2019)



Source: York Region Planning and Economic Development Branch and CMHC

As of 2016, 14% of York Region housing stock was rental tenure (primary and secondary), compared to 33% in the GTHA and 30% in Ontario. York Region has the lowest proportion of its housing stock in rental tenure in the GTHA. Council has recognized this gap in supply and in fall 2019 approved the [Development Charge Deferral for Affordable, Purpose-Built Rental Buildings](#) policy as well as the [purpose-built rental servicing allocation reserve](#) (subject to capacity) to help encourage new rental supply.

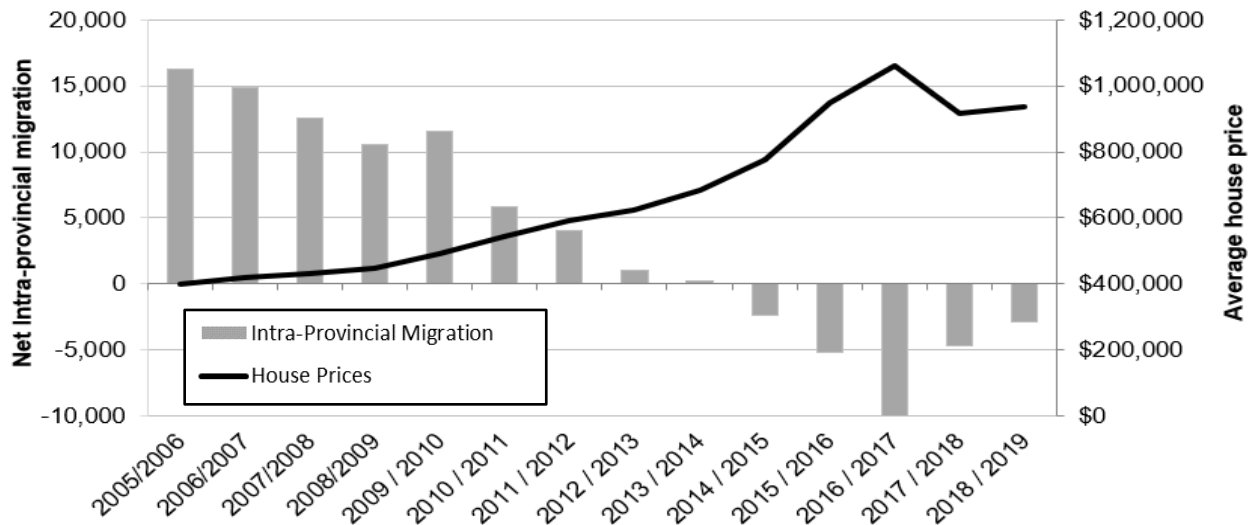
Complete communities offer a full range of housing options for people of all ages and abilities. Not achieving affordability targets limits who can live in York Region and is counter to complete community initiatives.

Housing affordability is a factor contributing to lower than anticipated population growth rates

A contributor to population growth has been people moving to York Region from elsewhere in the Province. As reported in the [2019 Growth and Development Review](#), York Region recorded a net loss of intra-provincial migrants over the last 5 years. Further analysis shows a correlation between the net loss of intra-provincial migration in York Region and the increase in the average cost of housing (Figure 3).

Figure 3

Net Intra-provincial Migration and Average Annual House Prices



Source: York Region Planning and Economic Development Branch and Statistics Canada

4. Analysis

Further research on the correlation between population growth rates and housing affordability is being conducted as part of the Municipal Comprehensive Review

Provincial forecasts have been extended to 2051 and assume substantial population and job growth for York Region. The Provincial Growth Plan, Provincial Policy Statement, 2020 (PPS) and Land Needs Assessment Methodology have placed greater emphasis on the role of the market and meeting market demand when determining housing forecasts to meet 2051 population forecasts. Watson has been retained to help understand the impact of the market on population growth. This work builds on the 2019 update of [Housing Matters](#), which provides data and analysis on housing market and growth trends and will inform policy updates presented to Council in the updated ROP. An important consideration in the development of the 2051 forecast will be the need to balance market demand, Provincial Growth Plan targets and policy objectives, housing supply, and housing affordability to help achieve the forecast and continue to work towards complete communities for the Region’s residents.

A lack of affordability and rental housing supply is contributing to the Region’s recent population and housing growth shortfall

Research on the impact of the housing market on population growth by Watson is summarized in Attachment 2. Key findings include:

- York Region has a declining share of residential development activity and is the only municipality in the Greater Golden Horseshoe that experienced a slower annual population growth rate between 2016 and 2021 compared to the previous 5-year period

- Lower population growth in combination with the aging population has resulted in increased need to attract younger families for economic development as the accommodation of the skilled labour force and the attraction of new businesses are strongly linked and positively reinforce one another
- While there has been a decline in ground related development, high density ownership units have seen increased activity; however, these units are generally smaller sized and may not be suitable for families
- The higher density rental market is limited by few new rental developments and low vacancy of existing rental units
- Durham Region and Simcoe County have the most affordable new single-detached homes in the broader regional market area, with average costs 54% and 40% of the average cost of new single-detached homes in York Region respectively, likely drawing demand from York for this product type
- Townhouse units may provide more affordable ground related housing options, particularly in northern York Region
- Housing affordability is a key component of quality of place and directly linked to population and economic growth potential, and municipal competitiveness

Based on their research, Watson has determined that a lack of housing options across York Region, most notably affordable low-density housing and purpose-built rental housing, has likely contributed to limiting the Region's recent population growth. Future growth and development opportunities may also be impacted. Watson has identified that addressing the interconnection between the Region's competitive economic position and its longer-term housing needs by market segment is important in realizing the Region's 2051 population and employment forecast. Watson will continue to provide further analysis on factors that impact growth through the MCR process.

Other factors have also contributed to the distribution and pace of growth in York Region

In addition to the housing market, Watson identified delays to major infrastructure and large-scale developments within several greenfield areas as factors that are also impacting growth in York Region. The alignment of forecast population and employment growth with major infrastructure projects is a key aspect of the MCR. Delays to major infrastructure projects can have a significant impact on the timing of growth and the available supply of greenfield land for urban development. The Upper York Servicing Solution, based on the 2009 Water and Wastewater Master Plan, was estimated to be complete in 2016 and has now been delayed to 2028 at the earliest, which constrains development in Aurora, East Gwillimbury and Newmarket.

Since the release of the Growth Plan in 2006, Greater Golden Horseshoe municipalities including York Region have been in a continuous cycle of developing and defending growth management processes and official plan updates. There has been a delay in approving the

ROP 2010 urban expansion areas as a result of numerous appeals at the Regional and local levels in response to conformity requirements of the Provincial Growth Plan. This has potentially delayed the timing of large-scale developments within several greenfield areas throughout the Region. While these delays do not appear to have limited the Region's ability to meet its near-term housing supply requirements on a Region-wide basis in accordance with provincial policy, it does appear that such delays have created housing supply shortfalls, particularly in greenfield areas, at the local municipal level.

Affordability is impacted by additional macro-economic factors

Housing affordability is influenced by a range of supply and demand factors such as demographics and growth, the cost and accessibility of mortgages, construction and development costs, land availability and regulations, geographic location and type of dwelling. Housing costs in York Region and throughout the GTHA have outpaced income growth. Between 2009 and 2019 the average price for a resale home in York Region increased by 110% whereas average family income rose by only 19%, with most of the increase in incomes concentrated in higher income households. This mismatch between house price and income increases over time may result in a greater number of low and mid-range income households competing for housing that they can afford, therefore increasing overall demand and supporting house price increases. The increased competition for lower cost housing is likely further exasperated by historically low mortgage interest rates. Low interest rates decrease mortgage costs and put an overall upward pressure on prices. Interest rates in Canada have decreased from over 20% in the 1980's to less than 5% today. In recognition of these low rates and the associated risk to overextended households in the event that the rates increase, a mortgage stress test was introduced at the beginning of 2018 whereby all households need to qualify for a mortgage using either the Bank of Canada benchmark rate or the contractual mortgage rate (insured mortgages) or the contractual mortgage rate plus 2% (uninsured mortgages). While the stress test is positive in that it helps ensure that households will be able to afford increased rates, it may also have the effect of putting additional demand related pressure on the lower end of the housing market.

Construction costs have also been increasing rapidly. Between Q1 2017 and Q3 2020, Statistics Canada estimates that residential construction costs have increased by 18%. These increases may be incorporated into the price of a new home, further eroding affordability overall.

A suite of innovative approaches to increase housing options have been identified for further analysis and discussion

To help advance dialogue on strategies to address housing issues, research on approaches to deliver a greater mix and range of housing options, including more affordable options has been conducted (Attachment 3). While the approaches listed are comprehensive, they are not exhaustive, as solutions required to address housing need are wide ranging and evolving. Some approaches included are within Regional Council's jurisdiction, but they have not been assessed for cost, effectiveness or feasibility. Others, where Regional Council does not have direct jurisdiction, may require efforts from multiple levels of government, as well as private industry and non-profit stakeholders. Further research on these approaches for local feasibility and effectiveness is required.

It is recommended through this report that additional research and analysis be conducted to better understand the impact of a lack of affordable housing options on current and future residents. This enhanced understanding of specific housing gaps throughout the income spectrum will allow for future recommendations for targeted programs and incentives, potentially including some of those captured in Attachment 3. A future program should include partnership options, with flexibility in implementation to maximize development feasibility in local contexts. This flexibility in implementation could include a suite of incentive options dependent on the amount, type and depth of affordability offered. The results of the additional analysis on the impact of a lack of housing options and recommended next steps will be reported back to Council.

ROP housing policy directions conform with Provincial policy

In October 2019, Council received [An Update on Public Consultations for the Municipal Comprehensive Review](#). The public have identified housing as one of the most important components for building complete communities, but many residents identify they struggle with housing affordability in the current housing market. There is a recognition York Region lacks affordable ownership options, rental units, family sized condo units and affordable senior's housing. The lack of affordable housing options is an issue in York Region and throughout the GTHA.

The current ROP includes a policy framework to address housing need. Policy directions summarized in this report and further details proposed in Attachment 1 conform with updated Provincial Policy direction and support future work on expanding housing options. Attachment 1 provides greater detail than the body of this report. Proposed policy directions to align with updated Provincial direction include:

- Increased residential land supply requirements
- Introduction of a rental housing target
- Incorporation of updated second suite parameters

Proposed policies will be developed to align with the 2019-2023 phase of [Housing Solutions: A Place for Everyone](#), York Region's 10-Year Housing and Homelessness Plan and will be presented to Council in 2021.

A new rental housing target will be incorporated in the proposed Regional Official Plan in alignment with Provincial direction

The Provincial Growth Plan requires that the Region establish targets for affordable ownership housing and rental housing. The current ROP includes policies that 35% of new housing in Regional Centres and key development areas (KDAs) be affordable and that 25% of new housing outside of those areas be affordable. These targets will be maintained, but the geographic focus of the 35% target will shift from key development areas to Major Transit Station Areas (MTSAs), which is where Inclusionary zoning can also be applied by local municipalities who have that jurisdiction. There are a greater number of MTSAs than KDAs

as they align with Go, Bus Rapid Transit and Subway lines whereas KDAs which align with Regional Corridors only.

The current ROP does not include a rental target. It is challenging to set an achievable rental target given that there has been little historical development on which to base a trends analysis. More work is required to understand the impact of incentives and shifting demographics on the rental market, as well as the role of rental in achieving affordability targets. In the interim, a policy direction for a single region-wide rental target has been proposed. The rental target continues to be assessed, and further discussion with local municipalities is required.

Affordable and rental housing targets will help set parameters for new development to appeal to a broad spectrum of prospective home buyers and renters. However, implementation of these targets will continue to be a challenge given a lack of tools to do so and the increasing gap between affordability thresholds and prices the market will bear for new housing.

Policies to encourage the delivery of more affordable housing in a more timely manner, implement inclusionary zoning and expand housing options are proposed

Although the general approach recommended through this report is to continue to explore targeted incentives and programs to increase housing options post MCR, it is recommended that updated ROP policy incorporate direction to explore further opportunities to co-ordinate the delivery of affordable and purpose built rental housing in a timelier manner and encourage implementation of inclusionary zoning in partnership with local municipalities. These policies are meant to encourage approaches to increase affordable housing options throughout the region. Development industry partners have long pointed to approval and appeal timelines as a barrier to affordability, and there may be low-cost solutions to help address this concern that are being explored. Inclusionary zoning is implemented by local municipalities and is the only tool provided by the Province to mandate inclusion of affordable housing in new developments. Additionally, development proponents will be encouraged to incorporate non-traditional building types and materials and innovative design and construction to help achieve more housing options, including affordable options. Non-traditional building types can include tiny homes, modular housing and multi-generational homes. These non-traditional and innovative approaches could include those outlined in Attachment 3.

The importance of partnerships in addressing housing issues will continued to be highlighted with local municipalities, senior levels of government and the development industry. It is proposed that a new policy to work with partners to implement solutions to increase housing options, including affordable and purpose-built rental options be incorporated into the updated ROP. Future work will incorporate a partnership approach to identify approaches to increase housing options.

5. Financial

Not achieving population growth targets has fiscal ramifications that may impact the timing and delivery of capital programs. A lack of housing options, including affordable options is one of the factors impacting lower than forecast growth in the Region. Going forward recommendations to Council on approaches to help increase housing options may include financial approaches. Potential revenue sources, including ongoing advocacy to the Provincial Government that a share of the Non-Resident Speculation Tax be shared with single and upper tier municipal governments, would help increase housing options.

6. Local Impact

Local municipalities have an important role in addressing the need for more housing options, including affordable options. They can identify local priorities and solutions through mechanisms like zoning and building permit authority and are often best positioned to influence development applications through pre-consultation and planning processes based on local context. They also have jurisdiction to implement inclusionary zoning within Provincial parameters and have several financial incentives and non-financial tools available to them.

In recognition of their role to help address housing needs, all local municipalities actively participate and provide input through the York Region/Local Municipal Housing Working Group to help work toward approaches to increase housing options. The Cities of Markham, Richmond Hill and Vaughan are currently developing Housing Strategies to help increase housing options within their local markets and policy frameworks. The Town of Newmarket worked with the Region to pilot a development charge deferral for purpose built rental building which led to the deferral policy that is currently in place. A separate development in Newmarket has taken up the new deferral policy resulting in a combined 441 new purpose-built rental units, representing the first significant private additions to the purpose-built rental supply since the 1980's. All local municipalities are working to address increased housing options in some way. Local Municipal implementation of housing related planning policy is critical to achieving shared housing goals and on-going input from the York Region/Local Municipal Housing Working Group will assist in the development of viable on the ground solutions to collaboratively increase housing options.

7. Conclusion

York Region is currently not achieving population and housing growth or affordability targets in the ROP. Research indicates that the lack of housing options, including affordable options is contributing to the Regions challenge in achieving Provincial growth forecasts, which in turn has negative impacts on the timing of capital cost recovery for infrastructure through development charges, and the lack of affordable housing options also impacts development of complete communities. A scan of innovative approaches to increasing housing options is provided. Further research and analysis of these approaches is required to understand local feasibility and how to best target them to maximize on the ground impact.

Through the MCR, housing related policies will be updated to conform with Provincial policy directions and support future work on expanding housing options. Policies alone will not increase housing options and future work in partnership with local municipalities, senior levels of government, the development industry and other stakeholders will continue to identify approaches to increase the mix and range of housing options available to households throughout the income spectrum. Next steps to address the lack of housing options, including affordable options is to continue to enhance understanding of the relationship between population growth and housing affordability and the impact of a lack of housing options on households throughout the income spectrum. This enhanced understanding will allow for targeted approaches to addressing housing needs.

For more information on this report, please contact Sandra Malcic, Director, Long Range Planning at 1-877-464-9675 ext. 75274. Accessible formats or communication supports are available upon request.

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Attachments (3)
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