

The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
June 15, 2023

Report of the Commissioner of Corporate Services and Chief Planner

Affordable Housing in York Region – 2022 Measuring and Monitoring

1. Recommendation

The Regional Clerk forward this report to the Minister of Municipal Affairs and Housing, local municipalities, Building Industry and Land Development Association (BILD), and local Members of Parliament and Members of Provincial Parliament for information.

2. Summary

This report, and Attachment 1, provides a summary of the 2022 Affordable Housing Measuring and Monitoring results.

Key Points:

- Annual assessment of affordability for new ownership housing and the supply of newly constructed purpose-built rental housing shows affordable housing continues to be a challenge in York Region
- Threshold for affordable ownership housing in 2022 was \$564,326, and the threshold for affordable rental housing in 2022 was \$1,861 (per month)
- Regional affordability targets have not been met for the fifth year in a row. In 2022, only 11% of units were rental housing units or ownership units that met what has been the Provincial threshold for affordability
- Less than one percent (0.75%) of new ownership units in 2022 were affordable (26 stacked townhouse units, of the total 3,457 new residential units built in 2022)
- Ninety-three percent (93%) of total reported affordable units were rental tenure. Of the 378 new rental units in 2022, 57% (217 units) were a part of a retirement home and not accessible to all York Region residents
- There is need to take strategic action to address York Region's affordability challenges and ensure that York Region's growth targets are met
- Comprehensive plans are under development to help address housing challenges by enhancing, focusing, and streamlining Regional support in both the community housing and private markets

3. Background

Council is committed to finding practical solutions to improve housing affordability

In York Region, the affordability of housing is declining, failing to meet minimum Provincial thresholds since 2018. The Region has shown leadership to help address housing needs through development charges deferral policies for purpose-built housing and housing policies in the Regional Official Plan (ROP). In February 2021, Council declared a housing [affordability crisis](#), and formed a [Housing Affordability Task Force](#) comprised of the Chairman and the mayors of each local municipality to focus efforts on finding practical issues to improve affordability across the region.

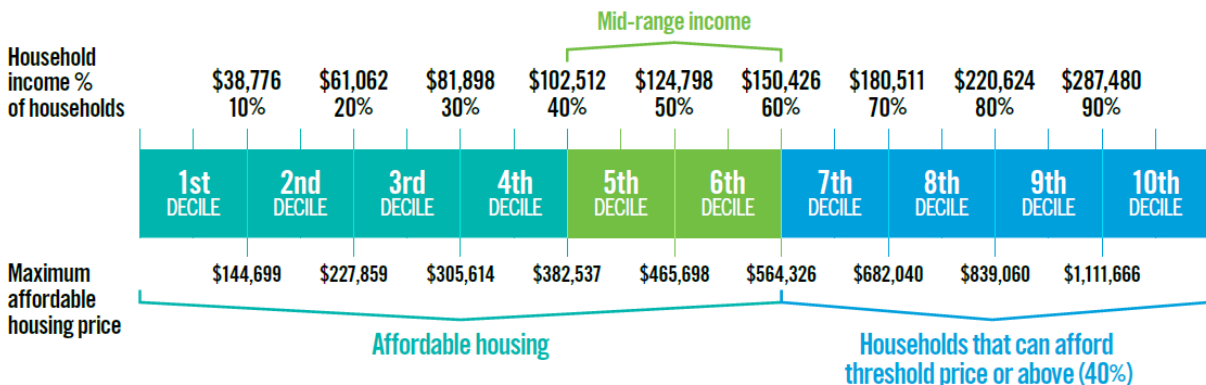
Affordable housing targets are monitored annually

Council has established the target that a minimum of 35% of all new housing in Regional Centres and major transit station areas, and 25% of all new housing outside of those areas be affordable. The affordability threshold used in this annual measuring and monitoring exercise is based on the definition set out in the [Provincial Policy Statement, 2020](#).

In the case of ownership housing, the Provincial Policy Statement, 2020 benchmarks maximum affordable ownership housing at 30% of the gross income for households with incomes in the lowest 60% of the income distribution. This is the maximum house price that the lowest earning 60% of households can afford to purchase, assuming that 30% of household income is spent on mortgage payments, mortgage insurance and property taxes. Figure 1 shows the maximum price that a household can afford to spend based on each decile across the income spectrum. In 2022, York Region’s annual household income at the 6th decile was \$150,426 which allows for a maximum affordable house price of \$564,326. Based on the 2021 Census, household incomes have been confirmed and are higher than forecasted, resulting in an increase in the affordability threshold. Despite the increased income, the average resale price of a home was 146% above the affordability threshold at \$1,390,330.

Figure 1

York Region Household Income Distribution and Affordable Ownership Thresholds, 2022



Source: York Region Planning and Economic Development, 2022

The Provincial definition, as applied in York Region, benchmarks maximum affordable rental housing at 125% of average market rent (AMR). In 2022, York Region's average market rent was \$1,489 per month, which translates to a maximum affordable monthly rent price of \$1,861 per month. For the purpose of this report, all rental supply is considered and reported as affordable due to data limitations.

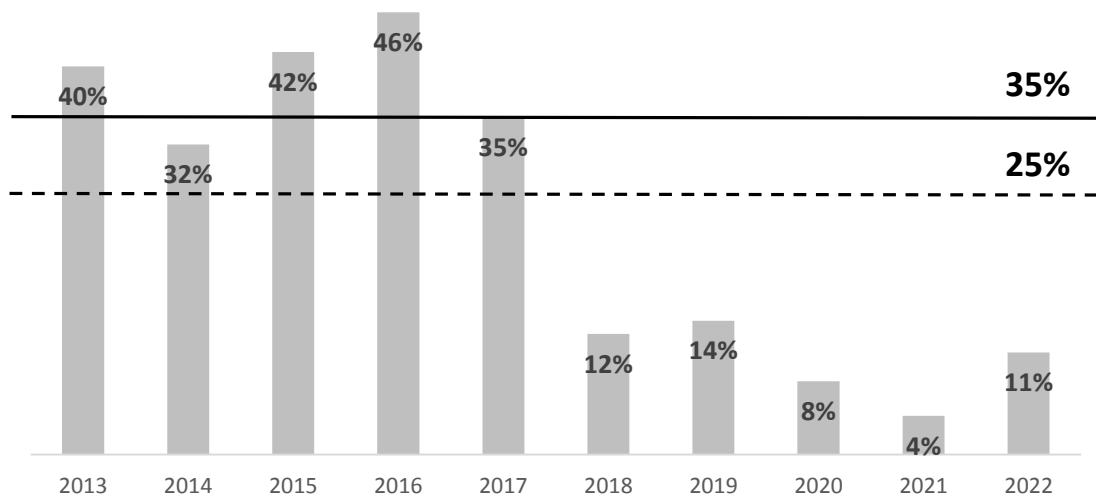
4. Analysis

In 2022, Regional targets for affordable housing were not achieved for the fifth year in a row

In 2022, the York Region Official Plan affordable housing targets were not achieved with only 11% of new housing either meeting the affordable ownership threshold or being purpose built rental. Affordability remains below the 25% target, reflecting ongoing challenges with affordability (Figure 2). The increase in affordable units between 2021 and 2022 is primarily due to an increase in rental supply and, to a lesser extent, higher household incomes which increased the affordability threshold. These factors increased the overall affordability achieved in York Region, without necessarily reflecting a decrease in housing prices.

Figure 2

Percent of New Units that are Rental or Affordable Ownership 2013-2022



Source: York Region Planning and Economic Development, 2022

Trend of limited new affordable ownership options and rental supply continues

Since 2021, the affordability of condo units by bedroom type has not been monitored due to a data limitation. As a result, the 2021 and 2022 analyses used median prices of all units within a condominium development to assess affordability. Based on the data available, no units could be identified as affordable.

As shown in Table 1, the number of affordable ownership units increased from 10 in 2021 to 26 in 2022, despite the increase in total number of new units, less than 1% of new ownership units were affordable based on the Provincial definition.

The measured affordable ownership options in York Region were 26 stacked townhouse units in East Gwillimbury, Newmarket, and Whitchurch-Stouffville. The lack of affordable ownership opportunities puts more pressure on the rental market to provide affordable options.

Table 1
Percent of New Ownership Units that are Affordable, 2013-2022

Year	Number of Affordable New Ownership Units	Number of all New Ownership Units	Percent of Affordable Ownership Units
2013	2,488	6,697	37.15%
2014	1,886	6,334	29.78%
2015	2,710	6,705	40.42%
2016	4,096	9,423	43.47%
2017	4,067	12,342	32.95%
2018	714	6,641	10.75%
2019	959	8,574	11.18%
2020	333	6,450	5.16%
2021	10	6,879	0.15%
2022	26	3,457	0.75%

Source: York Region Planning and Economic Development, 2022

In 2022 new purpose-built rental supply consisted of 217 units in the Town of Whitchurch-Stouffville and 161 secondary suites registered with local municipalities region wide. All 217 private purpose-built rental units are part of a retirement building, which are not available to all community members. This means 43% (161 units) of the 378 rental units were responsible for providing affordable living options to York Region residents who are not seniors.

The Canadian Mortgage and Housing Corporation's (CMHC) Rental Market Report showed that average cost of rent in the condo market increased from \$2,214 in 2021 to \$2,605 in 2022. This exceeds the affordable rental threshold of \$1,861 by about \$700 (40%). In 2022,

the condominium rental market grew by approximately 1,600 units, representing 33% of all condo units that may be available for rent. CMHC data shows that average rents in the purpose-built market were more affordable at an average cost of \$1,489 per month. While purpose-built market appears to provide affordable options, limited supply pushes renters in York Region to the less affordable secondary rental market; a market not easily monitored, and which provides less security of tenure.

Affordable ownership is a challenge across the income spectrum

As indicated in Table 2, the analysis shows there are no affordable ownership options at the 4th and 5th income deciles and affordability pressures persist at higher income levels. In 2022, households with incomes of approximately \$180,000 could afford 1.2% of new units and households with incomes of approximately \$220,000 could only afford 30% of units. Even at the 9th income decile, representing all but the highest earning 10% of households, only 66% of new ownership housing is affordable.

Table 2
Percent of Affordable Ownership by Income Decile

Decile	Maximum Gross Household Income	Maximum Affordable House Price (Threshold)	% Units Sold Under Threshold
4 th	\$102,512	\$383,394	0%
5 th	\$135,551	\$506,108	0%
6 th	\$150,426	\$564,326	0.75%
7 th	\$180,511	\$682,040	1.2%
8 th	\$220,624	\$839,060	30%
9 th	\$287,480	\$1,111,559	66%

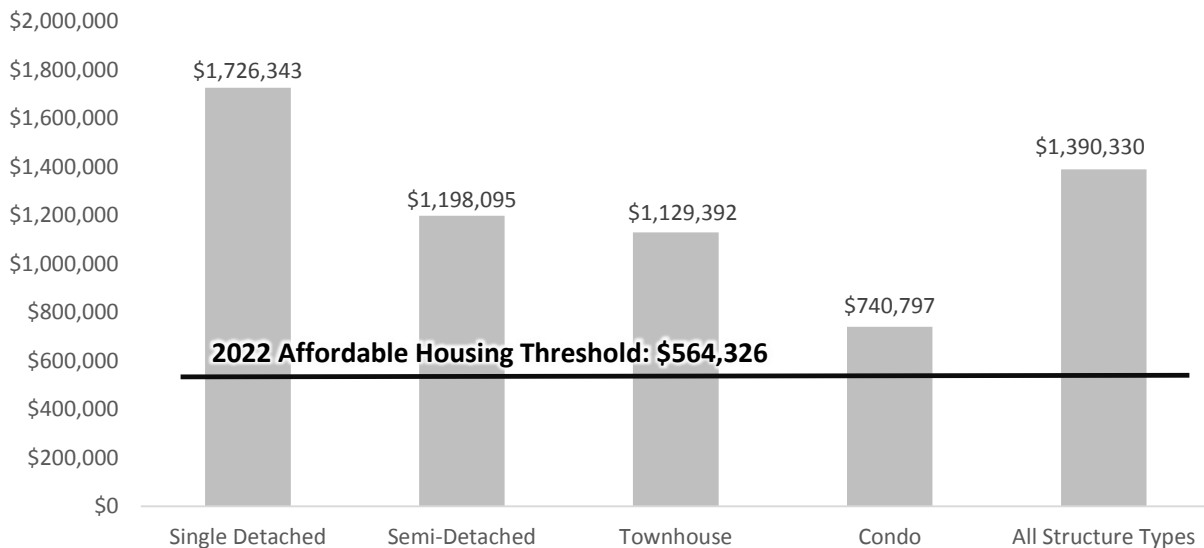
Source: York Region Planning and Economic Development, 2022

Affordability in the resale market is increasingly limited

Average resale prices are also evaluated against the monitoring threshold to help assess resale affordability. As shown in Figure 3, the average price of resale housing across all structure types was above the affordable threshold in 2022.

Figure 3

Affordable Housing Threshold and Average Resale Home Prices, 2022



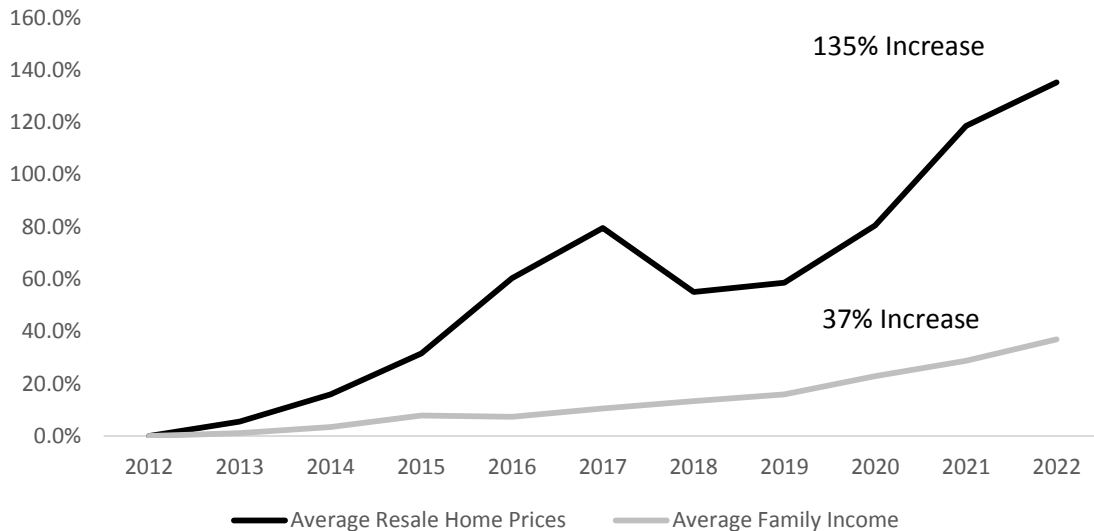
Source: York Region Planning and Economic Development, 2022

The average price of resale condominiums in 2022 was more than 31% or close to \$200,000 above the affordable housing threshold. Average prices of resale townhouses were more than 100% above the threshold, resale semi-detached were 112% above the threshold and the average price of a single detached resale unit was over three times the affordable threshold.

In York Region the average single detached house cost \$1,726,343 in 2022 according to the Toronto Region Real Estate Board (TRREB). CMHC data shows that the Ontario and Canada average costs of a single detached house in 2022 were \$1,051,282 and \$985,302 respectively. This means that York Region residents paid \$675,061 more than the average Ontarian and \$741,041 more than the average Canadian who purchased a single detached house in 2022. Despite the average resale prices for Ontario and Canada being 64% and 75% below the York Region average respectively, they both exceed the affordability threshold as noted in this report.

Comparing average resale house price increases over time to average household incomes highlights that affordability challenges are increasing (Figure 4). There has been rapid growth in resale housing prices compared to lower growth in average household incomes from 2012 to 2021, despite a market correction that caused a decline in 2018 resale house prices. Between 2012 and 2022, average resale home prices increased by 135% whereas average income increased by only 37%. As the gap between home price and income continued to grow in 2022, the 10-year trend shows that homeownership continues to be out of reach of most households.

Figure 4
Percent Increase: Average Resale Home Prices and Average Household Income, 2012-2022



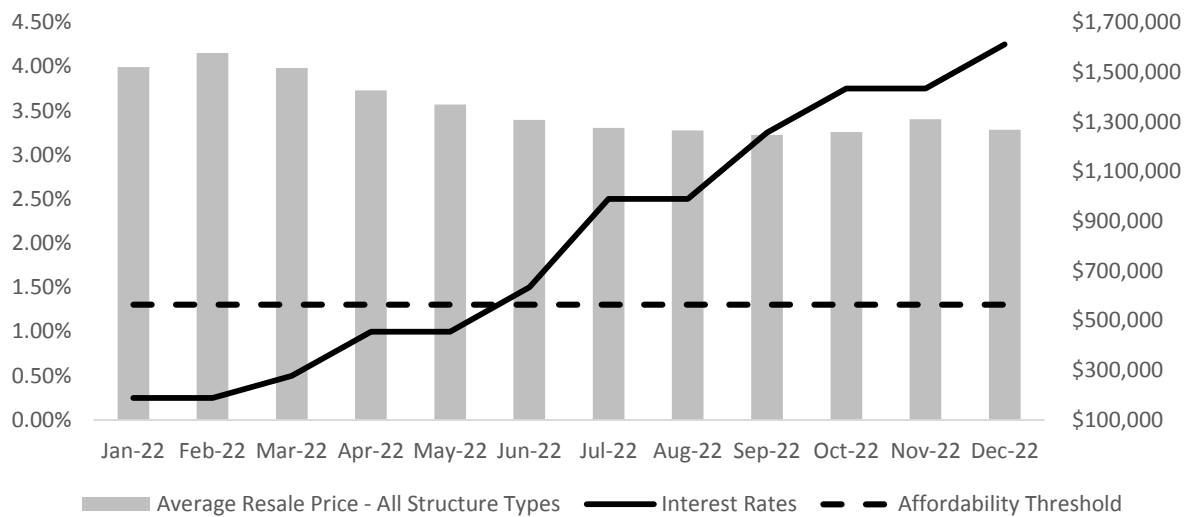
Source: York Region Planning and Economic Development, 2022

Higher interest rates have slowed the ownership sales market as households navigate higher carrying costs of home ownership, as TRREB records show that sales fell 42% from 2021 to 2022. Interest rates are a key factor in the carrying cost of home ownership. While prices in the resale market have fallen by about 20% since February 2022, any potential benefit to carrying costs is offset by the increase in interest rates shown in Figure 5.

For illustrative purposes, monthly mortgage cost differences between February (peak home prices, low interest rate) and December (following 20% drop in home price but significantly higher interest rates) were calculated using a mortgage calculator available on realtor.ca. The result was a mortgage with 29% higher monthly mortgage payments for the December purchase at a lower price but higher interest rate. The following are the key assumptions used:

- Purchase of a home at the average purchase price for all units (\$1,576,585 in Feb, \$1,267,563 in December)
- 20% down payment
- Amortized over 25 years
- Bank of Canada’s target overnight interest rate of 0.25% for February 2022 and 4.5% for December 2022

Figure 5
Monthly Change in Interest Rates and Average Resale Home Prices



Source: York Region Planning and Economic Development, 2022

Lack of affordable housing options constrains growth

The ongoing lack of affordable housing options throughout York Region has and will continue to limit population and economic growth in the Region. In 2022, York Region’s population growth rate was the lowest of all GTHA municipalities at 0.9%. Census data shows that in the last 5-years, the average annual growth in York Region was 15,000 people, almost half of the 29,260 people per year required to reach the forecasted population of 2,088,000 by 2051.

While the Region achieved net growth overall, it was dependent on strong immigration which more than offset losses due to outward migration. York Region lost 18,355 people between July 2016 and 2021 to interprovincial migration (moving to or from another province) and intraprovincial migration (moving within the same province). [Toronto Metropolitan University](#) and [BILD](#) have released reports on intraprovincial migration trends in the GTHA, identifying that York, Peel and Toronto recorded the highest rate of intraprovincial migration between July 2016 and 2021. Both reports conclude that residents are moving due to a lack of affordable housing options within established neighbourhoods. This trend is expected to continue until more affordable housing options are built in York Region.

Along with limiting population growth, a lack of affordable housing challenges the attraction of employers and employees to the Region. A 2021 report, *Housing a Generation of Essential Workers*, by the Toronto Board of Trade and WoodGreen found that high housing costs in the GTA require employers to pay employees a wage premium. Rather than pay employees more to live in the GTA, employers and employees are choosing to locate outside of the GTA. While employment activity showed strong signs of rebounding after the pandemic, the lack of affordable housing options for the labour market could deter prospective industries from locating in the Region.

Lower growth rates due to affordable housing will impact development charge collections and the Region's ability to pay for growth-related infrastructure. [Research](#) by the Toronto Board of Trade and WoodGreen estimated that the direct and indirect economic costs of the GTA's housing affordability crisis are between \$5.88 billion and \$7.98 billion per year.

Maintaining a definition of affordable housing will support continued monitoring of trends and the success of current housing initiatives in addressing affordability

On April 6, 2023, the Province proposed a new Provincial Planning Statement to replace the Provincial Policy Statement, 2020. The Provincial Planning Statement, 2023 is absent of any mention of affordable housing, including a definition. As presented to Council on May 18, 2023, maintaining a consistent definition of affordable housing is important to support evidence-based accountability and ongoing monitoring of housing affordability.

Monitoring new housing affordability aligns with the Region's Accountability Framework

The annual affordable housing measuring and monitoring exercise aligns with York Region's [Vision](#) of "strong, caring, safe communities" as well as the Strategic Plan objective to "sustain and increase affordable housing choices". This exercise also supports the [2022 Regional Official Plan](#) by tracking progress towards meeting Council's housing affordability targets.

5. Financial

The Region offers a development charge deferral incentive for developers who build private purpose-built rental in York Region. Since 2014, six developments across three municipalities have used the incentive, resulting in 876 new units. This has resulted in approximately \$27.5 M in development charge deferrals. Two of these developments have been completed to date, resulting in 270 new purpose-built rental units in York Region. The purpose-built units that were completed in 2022 did not use the development charge deferral incentive.

Bill 23 presents added pressure on funding complete communities, as a [February 23, 2023 report to council](#) predicted that there will be a development charge revenue loss between \$497 million and \$1.6 billion, from 2023 to 2032. Council has requested that the Province keep municipalities financially whole to meet the infrastructure needs of new communities, or growth targets will be delayed.

A lack of affordable housing threatens York Region's ability to achieve forecasted population growth, and may deter employers from locating in York Region, which could slow the building of growth-related infrastructure due to fewer development charges collection.

6. Local Impact

Local municipalities are key partners in addressing housing affordability. The Region will continue to collaborate with local municipalities to address affordable housing needs across York Region, including to inform the Affordable [Private Market Housing Implementation Plan \(AHIP\)](#). The housing challenges outlined impact all local municipalities, requiring continued collaboration and ongoing support to deliver solutions.

7. Conclusion

The affordability of new ownership housing and the supply of new rental housing is monitored on an annual basis. The 2022 analysis identifies a continued downward trend of ownership affordability and an ongoing lack of new purpose-built rental supply, with only 1% of new ownership units affordable and 217 new purpose-built rental units. Ownership affordability and challenges around attracting purpose built rental developments is an issue across the GTHA and, increasingly, throughout southern Ontario.

No one level of government or industry partner can solve housing affordability challenges alone. Work in collaboration with partners and local municipalities to find innovative solutions continues as will monitoring of the affordability of housing across York Region to support evidence-based approaches to addressing housing challenges.

For more information on this report, please contact Teresa Cline, Manager, Policy and Environment at 905-830-4444 ext. 71591. Accessible formats or communication supports are available upon request.



Recommended by:

Paul Freeman, MCIP, RPP
Chief Planner



Dino Basso
Commissioner of Corporate Services



Approved for Submission:

Bruce Macgregor
Chief Administrative Officer

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Attachment 1 – Affordable Housing in York Region: 2022 Measuring and Monitoring