



## **Staff Report for Committee of the Whole Meeting**

**Date of Meeting:** November 6, 2024

**Report Number:** SRPBS.24.102

**Department:** Planning and Building Services

**Division:** Policy Planning

**Subject:** **SRPBS.24.102 - Request for Endorsement - Updates to Housing Needs Assessment and Inclusionary Zoning Impact Study**

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### **Purpose:**

The purpose of this report is to seek Council endorsement of the 2024 Housing Needs Assessment, a Peer Review of the 2021 Inclusionary Zoning Impact Assessment, and the updated 2024 Inclusionary Zoning Impact Assessment.

### **Recommendation(s):**

- a) That Staff Report SRPBS.24.102 regarding Request for Endorsement - 2024 Housing Needs Assessment, Peer Review of the 2021 Inclusionary Zoning Impact Assessment, and 2024 Inclusionary Zoning Impact Assessment, be received;
- b) That Council endorse the 2024 Housing Needs Assessment attached as Appendix "A" to Staff Report SRPBS.24.102;
- c) That Council endorse the Peer Review of the 2021 Inclusionary Zoning Impact Assessment attached as Appendix "B" to Staff Report SRPBS.24.102; and,
- d) That Council endorse the 2024 Inclusionary Zoning Impact Assessment attached as Appendix "C" to Staff Report SRPBS.24.102.

### **Contact Person(s):**

- Chun Chu, Senior Policy Planner, Extension 5493
- Phoebe Chow, Manager of Policy Planning, Extension 2472
- Maria Flores, Director of Policy Planning, Extension 2472
- Gus Galanis, Commissioner of Planning and Building Services, Extension 2465

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### Report Approval:

All reports are electronically reviewed and/or approved by the Division Director, Treasurer (as required), City Solicitor (as required), Commissioner, and City Manager. Details of the reports approval are attached.

### Key Messages:

- staff is requesting Council's endorsement of the following three documents attached in the appendices of Staff Report: 2024 Housing Needs Assessment, Peer Review of the 2021 Inclusionary Zoning Impact Assessment ("2021 IZ Peer Review" or "Peer Review"), and 2024 Inclusionary Zoning Impact Assessment ("2024 IZ Impact Assessment"). These reports have been prepared to support the Affordable Housing Strategy, to comply with requirements for a Federal funding program, and to conform with the *Planning Act*.
- the 2021 Housing Needs Assessment has been updated as the 2024 Housing Needs Assessment to support the analysis on Inclusionary Zoning, and in accordance with requirements of Canada Mortgage and Housing Corporation ("CMHC")'s Housing Accelerator Fund ("HAF") grant, which was awarded to the City in 2023.
- the updated 2024 Housing Needs Assessment concludes that the City continues to experience the same housing gaps identified in the City's Affordable Housing Strategy ("the Strategy").
- a peer review of the 2021 IZ Impact Assessment is required under *Ontario Regulation 232/18 Inclusionary Zoning*. The Peer Review concluded that the methodology and results of the 2021 IZ Impact Assessment were generally sound and reasonable.
- due to changing housing legislation and market conditions since the completion of the 2021 IZ Impact Assessment, an updated 2024 IZ Impact Assessment has been completed to better reflect current market conditions in order to inform policy decision-making relating to Inclusionary Zoning.
- the updated 2024 IZ Impact Assessment found that if the City applied Inclusionary Zoning in today's market conditions, it would pose a challenge for residential developments in achieving financial feasibility. The 2024 IZ Impact Assessment suggests that if the City was to consider implementing Inclusionary Zoning, it should do so through a phased approach.

### Background:

Richmond Hill Council endorsed the Affordable Housing Strategy ("the Strategy") on November 24, 2021 (see Staff Report SRPI.21.089). The Strategy is supported by a Background Study completed in 2021 which laid the foundation for the Strategy's housing goals and targets. This Background Study is comprised of five sub-reports:

- Sub-report 1 – Housing Needs Assessment
- Sub-report 2 – Housing Policy Context in Richmond Hill

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- Sub-report 3 – Tools and Incentives
- Sub-report 4 – Inclusionary Zoning Impact Assessment
- Sub-report 5 – What We Heard Report

In the Fall of 2023, the City retained Parcel Economics Inc. (“the City’s consultant”) to update Sub-report 1 (Housing Needs Assessment) and Sub-report 4 (Inclusionary Zoning Impact Assessment). Additionally, Parcel Economics undertook the Peer Review of the 2021 IZ Impact Assessment, as required by Provincial regulation.

### **Discussion:**

The following sections summarize the findings from the 2024 Housing Needs Assessment, the 2021 IZ Peer Review, and the 2024 IZ Impact Assessment. The full reports are found in Appendices “A”, “B”, and “C” of this staff report.

#### **A) An Update to the 2021 Housing Needs Assessment**

The 2021 Housing Needs Assessment examined Richmond Hill’s housing demand and supply and determined the City’s housing gaps. In addition, housing affordability and core housing needs were also analyzed to determine housing adequacy, suitability, and affordability. The Housing Needs Assessment formed the basis for the Affordable Housing Strategy.

In 2023, the City applied for and was awarded \$31.1 million from CMHC’s HAF grant. As a requirement of the HAF grant, the 2021 Housing Needs Assessment must be updated to specifically include a recommended review cycle. In addition to setting out a recurring review schedule, the City’s consultant identified and updated key data that highlight the most significant demographic, legislative, and market-based changes that have occurred since 2021. This update has resulted in the 2024 Housing Needs Assessment, which is attached as Appendix “A” to this staff report.

The 2024 Housing Needs Assessment focuses on key changes in socio-demographic and housing trends, but it also provides information on the full range of housing, including the demand for and supply of market and non-market housing. Since the 2024 Housing Needs Assessment is also responding to requirements from the CMHC’s Housing Accelerator Fund, the updated assessment includes key elements identified in CMHC’s “Housing Needs Assessment At-a-Glance” guideline. These key elements are households in core housing need, housing need across the entire housing spectrum, and the anticipated number of housing units needed in the future.

#### **Key Findings from the 2024 Housing Needs Assessment**

The following are key findings from the 2024 Housing Needs Assessment:

- about 108,000 housing units are needed by 2051 to accommodate Richmond Hill’s forecasted population target of 322,100; residents aged 50 and older continue to make up the majority of the City’s population;

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- population of young families (adults in their 40s and young children 0 to 9 years) continue to decline, which suggests an exodus of young families from Richmond Hill;
- the percentage of smaller households (one- and two-person households) is growing;
- while ownership households remain predominant, the share of renter households is growing, particularly those residing in the secondary rental housing market;
- rental housing remains undersupplied and is affordable only to households at the median household income or higher;
- ownership housing remains unaffordable to all but the wealthiest households;
- in 2021, nearly 40% of households were spending more than 30% of their household income on housing;
- in 2021, 31% of renter households and 12% of ownership household were in core housing need<sup>1</sup>, both of which were primarily driven by unaffordability; and,
- in York Region, individuals with a disability status increased from 17% in 2017 to 21% in 2022<sup>2</sup>.

### Housing Gaps Remain the Same

The above-mentioned key findings from the 2024 Housing Needs Assessment identified the same housing gaps that were documented in the 2021 Background Study, which validate the following Affordable Housing Strategy goals:

- diversify the housing stock to include smaller dwelling units and larger family-sized dwelling units;
- increase rental housing options that are in a good state of repair and affordable to households with low and moderate incomes;
- increase the supply of accessible and supportive housing options for seniors and households with a disability or mental health issue; and
- provide ownership options that are affordable to households with moderate incomes and that are appropriate for larger households.

### Clarification on the Definition of “Affordable” Housing to be based on Local Market Area

The Strategy and Background Study set out the methodology to determine how annual affordable rental and affordable ownership thresholds are defined and calculated. The 2024 Housing Needs Assessment supports the existing definition of “affordable” housing as documented in the Strategy. However, the updated 2024 Housing Needs Assessment recommends a clarification be added to specify that Richmond Hill is the geographic area being used to assess household incomes and market rents or sale

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<sup>1</sup> According to CMHC, a household is in core housing need if it is living in a house that is unaffordable, does not have enough bedrooms or needs major repairs, and the household cannot afford to live somewhere else in the community.

<sup>2</sup> There is limited data on people with a disability status at a census subdivision (or City) level.

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prices. This is to align with the approach taken in the *2024 Provincial Planning Statement*.

For clarity, the definition of “affordable housing” for Richmond Hill is as follows:

- 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 City;
- b) in the case of rental housing, it means a unit for which the rent is at or below 125% of the average market rent of a unit in the City, by bedroom type.

\*Note: Low- and moderate-income households means, for the purpose of ownership housing, households with incomes in the lowest 60 percent of the income distribution for the City.

With respect to affordable rental housing, the average market rent is based on CMHC’s annual surveys that include purpose-built rental with three units or more. The purpose-built rental housing stock is predominantly comprised of older housing stock that are under rent control in accordance with the Ontario Residential Rent Guideline. As a result, rents in this older housing stock are significantly lower than rents from newer rental constructions with higher standards in accordance with the *Building Code*. For these reasons, it is appropriate to set the affordable rent threshold to be 125% of the average market rent.

### Five-Year Review Cycle

The 2024 Housing Needs Assessment recommends a five-year review cycle to be included for the housing needs assessment. A five-year cycle aligns with the requirement under the *Planning Act* for when an IZ assessment report must be updated after the adoption of Inclusionary Zoning policies in municipal Official Plans. A five-year cycle also aligns with the review period of a recently announced Housing Needs Assessment template report required by the Canada Community Building Fund (CCBF) agreement, and other potential funding programs provided by Housing, Infrastructure and Communities Canada.

### **B) Peer Review of 2021 Inclusionary Zoning Impact Assessment**

Inclusionary Zoning is a tool authorized under the *Planning Act* which enables municipalities to require the provision of affordable housing as part of residential

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development located in Protected Major Transit Station Areas or in areas established with a Community Planning Permit System<sup>3</sup>.

Since the Strategy recommended implementation of Inclusionary Zoning, an IZ Impact Assessment was conducted as part of the 2021 Background Study for the Strategy. According to *Ontario Regulation 232/18 Inclusionary Zoning*, a municipality must complete an assessment report prior to implementing Inclusionary Zoning through the City's Official Plan and by-laws. Following this assessment, a peer review of the assessment by a qualified and independent third-party is required. The purpose of a peer review is to ensure the methodology and assumptions used in an impact assessment are appropriate and reasonable.

While the regulation does not specify what a peer review entails, the regulation notes that the following variables, at minimum, should be considered:

- value of land, cost of construction
- market price, market rent, and,
- housing demand and supply.

This information was collected and analyzed in both the 2021 and 2024 Housing Needs Assessments.

Since legislation to enable Inclusionary Zoning was passed in 2016, only a handful of peer reviews has been completed in Ontario due to the limited number of municipalities that have undertaken Inclusionary Zoning impact assessments or who have implemented Inclusionary Zoning. Of those completed peer reviews, the general focus of the reviews were on the methodology of the impact assessment and the reasonableness of the assumptions and financial feasibility results. This same approach has been applied in the peer review of the 2021 IZ Impact Assessment, which is attached as Appendix "B" to this staff report.

### Findings from the Peer Review

The following are key findings from the Peer Review:

- the 2021 IZ Impact Assessment adequately addresses the underlying intent of the requirements set out in *Ontario Regulation 232/18*;
- the methodology used in the 2021 IZ Impact Assessment is based on "residual land value"<sup>4</sup>, and the approach is generally sound;
- the assumptions and financial feasibility results in the 2021 IZ Impact Assessment are generally reasonable;
- the interpretation of the research and analysis, including the resulting conclusions and recommendations are appropriate; however,

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<sup>3</sup> Non-profit housing providers are not subject to Inclusionary Zoning. Furthermore, residential developments that have less than 10 units are not subject to Inclusionary Zoning.

<sup>4</sup> The residual land value approach assumes that if a development is financially feasible and sufficient revenue is left to acquire the land based on market prices, then the developer will proceed with a project.

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- the cost assumptions and the resulting maximum number of affordable units required in the 2021 IZ Impact Assessment may not be realistic in today's market conditions.

### **C) Update to the 2021 Inclusionary Zoning Impact Assessment**

While the 2021 IZ Impact Assessment is generally sound and reasonable, the drastically changing market conditions and the evolving legislation related to Inclusionary Zoning has materially altered the nature of the research findings and recommendations. Consequently, the Peer Review recommends an update to the 2021 IZ Impact Assessment to better reflect current market conditions and legislative context for Inclusionary Zoning. To this end, the updated 2024 IZ Impact Assessment has been prepared to analyze what financial impact there may be (if any) resulting from these changes. The 2024 IZ Impact Assessment is attached as Appendix "C" to this staff report.

Similar to the 2021 IZ Impact Assessment, the 2024 IZ Impact Assessment included stakeholder engagement which helped to validate assumptions and findings of the financial analysis. Four one-on-one interviews were conducted with non-profit and for-profit housing developers and operators. A synopsis of the research interviews is found at the conclusion of Appendix "C" attached to this staff report.

Table 1 below summarizes some of key differences in the 2024 IZ Impact Assessment compared to the 2021 IZ Impact Assessment:

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**Table 1: Differences between the 2021 IZ Impact Assessment and the 2024 IZ Impact Assessment**

Variables	2021 IZ Impact Assessment	2024 IZ Impact Assessment	Reason for Change
Methodology	Residual land value <sup>5</sup>	Discounted cash flow <sup>6</sup>	Provides a more detailed evaluation of the timing of cash flows
Development scenarios	Land use permissions and densities based on permissions allowed at the time of study	Land use permissions and densities based on 2024 permissions	Uses more up-to-date information
Maximum required percentage of affordable units (set aside rate)	Range of set aside rate based on feasibility	5%	Reflects proposed changes in <i>Ontario Regulation 232/18</i>
Affordable Rent	125% of average market rent (AMR) and 100% AMR	80% AMR, plus sensitivity analysis for 100% AMR and 125% AMR	Reflects proposed changes in <i>Ontario Regulation 232/18</i>
Required affordability period	25 years and perpetuity	25 years	Reflects proposed changes in <i>Ontario Regulation 232/18</i>

### Findings from the 2024 Inclusionary Zoning Impact Assessment

The following are key findings from the 2024 IZ Impact Assessment:

- the macroeconomic conditions in Ontario, including the Greater Toronto and Hamilton Area have significantly declined, such that both the hard costs and soft costs associated with residential developments are drastically higher than those assumed in the 2021 IZ Impact Assessment; and
- Inclusionary Zoning is not viable at current market conditions for both ownership housing and rental housing.

### Recommendations from the 2024 Inclusionary Zoning Impact Assessment

The City's consultant recommends the following:

- notwithstanding current market conditions, the City should consider establishing Inclusionary Zoning policies in the Official Plan and have a by-law in place so that, when market conditions improve in the future, this tool may be enacted;

<sup>5</sup> The residual land value approach assumes that if a development is financially feasible and sufficient revenue is left to acquire the land based on market prices, then the developer will proceed with a project.

<sup>6</sup> The discounted cash flow approach assumes a project is feasible if the investment returns are sufficient, and if financing can be secured.



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- the proposed Inclusionary Zoning policies and by-law should require no affordable units in the interim. Once the market conditions improve, the requirement for affordable units may be phased in; and,
- the City may consider offering incentives to help offset the costs of any Inclusionary Zoning or affordable units.

### Next Steps

The scope of work outlined through this report were initiated prior to a series of significant Provincial legislative changes<sup>7</sup> that directly and substantially impacted the work undertaken. As a result, staff at the Ministry of Municipal Affairs and Housing have advised that the 2024 IZ Impact Assessment Update would be considered a new “Assessment Report” under the *Planning Act*. This means that the 2024 IZ Impact Assessment Update will require its own peer review, as per *Ontario Regulation 232/18*, before the City can advance the establishment of an IZ policy and by-law. Therefore, following endorsement of this report, the City will need to secure a new consultant to peer review the 2024 IZ Impact Assessment. Once the peer review for the 2024 IZ Impact Assessment is complete, a staff report will be brought forward to seek Council direction for the establishment of Inclusionary Zoning policies in the City’s Official Plan and associated by-law.

### Financial Implications:

The recommendations of this report do not have any financial, staffing, or other implications.

### Relationship to Strategic Plan 2024-2027:

The three reports support Pillar 1 of the City’s Strategic Plan: “Growing a Livable, Sustainable Community”. These three reports provide the basis for the Affordable Housing Strategy goals and targets, and they help inform the development of Inclusionary Zoning in Richmond Hill to create more affordable housing.

### Attachments:

The following attached documents may include scanned images of appendixes, maps and photographs. All attachments have been reviewed and made accessible. If you require an alternative format please call the contact person listed in this document.

- Appendix “A” – 2024 Housing Needs Assessment
- Appendix “B” – Peer Review of 2021 Inclusionary Zoning Impact Assessment
- Appendix “C” – 2024 Inclusionary Zoning Impact Assessment

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<sup>7</sup> Changes in legislation include proposed amendments to *Ontario Regulation 232/18*, *More Homes Built Faster Act, 2022*, *Bill 134, Affordable Homes and Good Jobs Act, 2023*, and *Bill 185, Cutting Red Tape to Build More Homes Act, 2024*.

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### Report Approval Details

Document Title:	SRPBS.24.102 - Request for Endorsement – Updates to Housing Needs Assessment and Inclusionary Zoning Impact Study.docx
Attachments:	- Appendix A-2024 Housing Needs Assessment_AODA.pdf - Appendix B-Peer Review of 2021 IZ Impact Assessment_AODA.pdf - Appendix C-2024 IZ Impact Assessment_AODA.pdf
Final Approval Date:	Oct 15, 2024

This report and all of its attachments were approved and signed as outlined below:

**Maria Flores - Oct 15, 2024 - 1:11 PM**

**Gus Galanis - Oct 15, 2024 - 1:12 PM**

**Darlene Joslin - Oct 15, 2024 - 1:59 PM**