



STAFF REPORT ACTION REQUIRED

Development Charges for Subsidized Housing

Date:	October 1, 2013
To:	City Council
From:	Deputy City Manager and Chief Financial Officer
Wards:	All
Reference Number:	P:\2013\Internal Services\Cf\Cc13019cf (AFS # 18451)

SUMMARY

As requested by Executive Committee, this report provides the formula for calculating the development charges rates for subsidized housing and amount available to the City under this formula. The calculated rates represent the maximum rates that can be levied under the *Development Charges Act* and the City cannot arbitrarily increase the rates that are imposed.

This report also provides a summary of City incentives and programs that support the creation of new affordable housing and major capital investments in Toronto Community Housing.

RECOMMENDATIONS

The Deputy City Manager and Chief Financial Officer recommends that:

1. City Council receive this report for information.

Financial Impact

There are no financial implications resulting from the adoption of the recommendations contained in this report.

DECISION HISTORY

At its meeting on September 24, 2013, Executive Committee, during consideration of the report titled "Development Charges By-law Review – Results of Additional Consultation" and dated September 13, 2013, requested staff to report directly to the

October 8, 2013 meeting of City Council on the legislated formula used to calculate development charges for subsidized housing and the amount available to the City under this formula.

- EX34.1: "Development Charges By-law Review – Results of Additional Consultation"
<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2013.EX34.1>

ISSUE BACKGROUND

The City's current (2009) development charges by-law will expire on April 30, 2014 and a new by-law is required if the City wishes to continue to collect development charges.

A statutory public meeting was held on July 3, 2013 to allow the public the opportunity to provide input into the proposed development charges by-law and 2013 development charges background study ("June 2013 Background Study"). A revised by-law and development charges background study addendum ("Study Addendum") were considered by Executive Committee at its meeting on September 24, 2013. Executive Committee adopted the staff recommendations respecting the revised by-law and Study Addendum and has forwarded the same to City Council for consideration at its meeting on October 8, 2013.

COMMENTS

The steps required to calculate the development charges rates are set out, in prescriptive detail, in the *Development Charges Act* and associated regulations. These steps were summarized in the June 13, 2013 staff report titled "Development Charges By-law Review" (page 10) and explained in more detail in the June 2013 Background Study (pages 14 to 17, Section II, B). A link to this information can be found on the City's development charges by-law review website:

http://www.toronto.ca/finance/dev_charges_bylaw_review/2013.htm.

It is not appropriate to compare calculated development charges rates, for one particular service, from one study to the next simply in terms of the share, by service, of total development charges rates. The relative rates by service differ from study to study because of changes to underlying inputs and methodology, such as the level of capital expenditure, historic level of service, associated benefit to existing development, forecast growth in the study planning period and benefit beyond the planning period.

With respect to subsidized housing, the full amount available to the City under legislation is calculated at approximately \$84 million over the 10-year study planning period (2013-2022), as detailed in Appendix B.9 of the June 2013 Background Study and Study Addendum ("2013 Study").

A comparison of the key 2013 versus 2008 subsidized housing calculations is provided in Table 1 below. In the 2013 Study, the subsidized housing development charges capital

program was based on the City's target of 1,000 subsidized housing units per year, similar to the 2008 Study, plus 200 affordable ownership housing units (not included in 2008).

Differences in calculation methodology and a more comprehensive level of service analysis eliminated the level of service constraint that applied in 2008, and resulted in lower gross costs but higher net (eligible for recovery) costs in the 2013 Study.

Despite higher eligible costs, the 2013 study yields lower per unit rates, as the costs are assumed to be spread over a higher 10-year population growth forecast compared to 2008 (247,071 versus 130,579 persons).

Table 1: Subsidized Housing Calculation – 2008 versus 2013 Background Study (\$millions)

Description	2008 Study	2013 Study
DC capital program and deductions		
Gross Costs	\$348.0	\$266.8
Less: Ineligible due to Level of Service	(\$166.8)	n/a
Eligible Increase in Service	\$181.2	\$266.8
Less: Non-growth share (65%)	(\$117.8)	(\$173.4)
Less: Statutory deduction (10%)	(\$6.3)	(\$9.3)
Net 10-year development-related costs	\$57.1 (16% of gross costs)	\$84.0 (31% of gross costs)
DC rate calculation – Two bedroom apartment unit		
10-year population growth forecast	130,579	247,071
Calculated charge per person (A)	\$437 per capita	\$337 per capita*
Persons per unit (PPU) for two-bedroom apartments (B)	2.36	2.30
Calculated development charge per two-bedroom apartment unit (AxB)	\$1,031 per two-bedroom apt unit	\$776 per two-bedroom apt unit

*adjusted based on a cash flow analysis

Finally, it is noted that the City provides a number of programs and incentives that support the creation of new affordable housing as well as capital repairs to Toronto Community Housing stock. These initiatives, which are summarized in Appendix 1, include development charges and other fee exemptions, property tax relief and section 37 contribution eligibility, amongst other things.

CONTACT

Joe Farag, Director Corporate Finance
Tel: 416-392-8108
Fax: 416-397-4555
Email: jfarag@toronto.ca

Robert Hatton, Director Strategic
Initiatives and Intergovernmental Finance,
Corporate Finance
Tel: 416-392-9149
Fax: 416-397-4555
Email: rhatton@toronto.ca

SIGNATURE

Roberto Rossini
Deputy City Manager and Chief Financial Officer

ATTACHMENTS:

Appendix 1: City Incentives and Support for the Development of Affordable Rental and Ownership Housing and repairs to Toronto Community Housing

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1. Affordable Rental Housing

a. Development Charges Exemptions*

Non-profit affordable rental housing developers are eligible for exemptions from development charges in new projects by providing rents to tenants at or below average market rents for the City as determined by a Canada Mortgage and Housing Corporation survey. Private sector developers receiving Council approved affordable housing funding are also eligible.

b. Property Tax Exemptions*

City approved affordable rental housing developments are eligible for property tax exemptions under the authority of the Municipal Housing Facility Bylaw No. 282-2002. The exemptions are for the term of Contribution Agreements made between the City and the affordable housing developer. Terms range from 25 – 50 years. Rents charged to tenants must be at or below average market rents for the City as determined by a Canada Mortgage and Housing Corporation survey.

c. Section 37 Benefits*

Site-specific agreements between developers and the City under Section 37 of the Planning Act have resulted in cash payments for future affordable housing developments or new affordable ownership and affordable rental housing units provided at a discount from market rates. These contributions are made in exchange for additional height or density in the developer's buildings. The affordable housing is administered by local non-profit corporations, under agreements with the City.

Non-profit organizations constructing Affordable Rental Housing are also eligible for the following fee exemptions:

*Planning Application Fee Exemptions** - application fees for planning approvals such as an application for Minor Variance, Site Plan Approval, Rezoning and Official Plan Amendment.

*Building Permit Fees Exemptions** – fees charged for any building permit application such as shoring and excavation, structural and full building permit. It does not apply to other fees such as those charged by right of way management, and peer review costs for environmental review.

*Parkland Dedication Fee Exemptions** – fees calculated as a percentage of the market value of the development lands as appraised by the City's Real Estate Unit and due for payment prior to the issuance of the first building permit. The fee for residential development is usually 5%.

* Secured through a Contribution Agreement between the City and the Private Sector or Non-profit Developer

2. Affordable Ownership Housing

a. Home Ownership Assistance Program (HOAP)**

Council allocated \$2 million annually from the development charges reserve fund to off-set City development fees and charges for non-profit affordable ownership developers. In exchange, during marketing and sales, the City's funds are converted by the non-profits into purchaser assistance loans for eligible buyers.

b. Section 37 Benefits**

See above discussion respecting Section 37 benefits for Affordable Rental Housing, which also applies to Affordable Ownership Housing.

**Secured through a Contribution Agreement between the City and the Non-profit Developer

3. Support to Toronto Community Housing Capital Repair

a. Support for Toronto Community Housing (TCH) Capital Repair

The City has supported the TCH refinancing plan with Infrastructure Ontario by making a commitment to provide "normally payable" funding for 13 properties at TCH's current mortgage levels beginning after the current maturity date of each of the 13 mortgages to the end of the new 30-year Infrastructure Ontario refinancing term.

b. Property Tax Exemption

Council has exempted Toronto Community Housing Corporation (TCHC) from property taxes on substantially all its properties on the basis that the City Shareholder will realize savings it would otherwise pay to the Province for education taxes. The City Shareholder will pass on these savings each year to TCHC which will be used for capital repairs.