

Confirming Toronto's Participation in Ontario's Development Charges Rebate Program

Date: January 30, 2018
To: City Council
From: Acting Chief Financial Officer
Director, Affordable Housing
Wards: All

SUMMARY

The purpose of this report is to obtain Council approval to participate in the provincial Development Charges (DC) Rebate program. The DC Rebate program is an initiative under Ontario's Fair Housing Plan to increase the supply of purpose-built market rental housing. Through the program, up to a total of \$125 million over five years is available to support municipalities, starting with \$25 million in 2018-19.

In December 2017, Toronto and 83 other municipalities were invited to participate in the DC Rebate program. To secure the City's consideration for the program over the next five years, staff are required to submit an Expression of Interest (EOI) by March 2, 2018. This would be Toronto's single opportunity to participate in the five-year program.

The City welcomes the introduction of this initiative as Toronto has been struggling with an increasingly tight rental market. The City's vacancy rate for purpose-built rental housing is one percent, the lowest level in the past 16 years. Over the previous years, Toronto has repeatedly asked the federal and provincial governments to provide incentives for affordable rental housing through relief from corporate taxes/HST or investment tax credits.

The DC Rebate program is complementary to the City's affordable rental Open Door Program as it applies to non-luxury rental housing. In Toronto, the DC Rebate program would specifically target mid-range rental housing. Mid-Range rental housing is defined as per the Official Plan as housing with rents set between 100% and 150% of the average City of Toronto rent, by unit type, as reported annually by Canada Mortgage and Housing Corporation (CMHC).

As part of the EOI submission, staff are required to submit the City Council's decision designating a program administrator, directing City staff to submit an EOI to the Ministry of Housing (MHO), and authorizing City staff to enter into a Transfer Payment Agreement with the Province on the municipality's behalf.

This report recommends that the Director, Affordable Housing be designated as the program administrator, and in consultation with the Acting Chief Financial Officer and the Acting Chief Planner and Executive Director, City Planning be authorized to submit an EOI and enter into the Transfer Payment Agreement.

To streamline the implementation of the DC Rebate program, staff propose to administer the program in 2018-19 through the Open Door's 2018 Call for Affordable Rental Housing Applications. This will also contribute to the City's Official Plan policies to create mixed-income communities.

This report is prepared in consultation with City Planning, City Legal and Shelter, Support and Housing Administration divisions.

RECOMMENDATIONS

The Acting Chief Financial Officer and Director, Affordable Housing Office recommend that:

1. City Council authorize the Director, Affordable Housing, on behalf of the City acting as Service Manager for the purpose of the *Development Charges Rebate program* under the *Housing Services Act 2011*, [S.O. 2011, c. 6, Sched. 1](#).
2. City Council authorize the Director, Affordable Housing Office to submit an Expression of Interest and enter into a Transfer Payment Agreement with the Ministry of Housing or related entity necessary for the receipt and expenditure of funding under the *Development Charges Rebate program* in consultation with the Acting Chief Financial Officer and the Acting Chief Planner and Executive Director, City Planning and in a form approved by the City Solicitor.
3. Subject to the adoption of Recommendations No. 1 and 2, City Council authorize the Director, Affordable Housing Office, in consultation with staff from Corporate Finance, City Planning, City Legal and Shelter, Support and Housing Administration, to finalize the *Development Charges Rebate program* design and administer the first year of the *Development Charges Rebate program* through the 2018 Open Door Call for Affordable Rental Housing Applications, or through a subsequent Request for Proposals if initial take up is less than 100%.
4. City Council request the Director, Affordable Housing Office, in consultation with the Acting Chief Financial Officer, to report to the Affordable Housing Committee on June 25, 2018, the Executive Committee on July 17, 2018 and City Council on July 23-25, 2018 to provide an update on the results of the program administration in 2018-19 including the projects recommended for approval through the *Development Charges Rebate program*.
5. City Council direct the General Manager, Shelter, Support and Housing Administration and the Director, Affordable Housing Office to report to Budget Committee with the details of the 2018 funding allocations and the administration cost, including the impacts on the 2018 Operating Budgets for Shelter, Support and Housing Administration and the Affordable Housing Office once the details have been identified.

FINANCIAL IMPACT

There are no known financial impacts associated with this report at this time as the DC Rebate program is fully funded by the Province. Any financial impact as the result of participation in the Provincial DC Rebate program will be reported and presented for Council consideration and approval through the report back requirements specified in Recommendation 5 of this report.

Administration funding of up to 5% of total funding due to the City under this program as specified in this report will be included in future year budget submissions for the Affordable Housing Office and Shelter, Support and Housing Administration divisions to be considered as part of the budget process.

EQUITY STATEMENT

Implementation of the Development Charges Rebate program provides Toronto with an opportunity to address its historically low vacancy rates and contributes to creating socially-mixed communities.

The Housing Opportunities Toronto Action Plan (2010-2020) strongly supports providing a mix of housing opportunities and creating affordable housing in mixed income, inclusive and complete communities.

DECISION HISTORY

The Housing Opportunities Toronto (HOT) Affordable Housing Action Plan 2010-2020 was adopted by City Council at its meeting of August 5 and 6, 2009. HOT proposes 67 actions laid out in eight strategic themes to address Toronto's housing needs, including creating housing with supports to help homeless and vulnerable people find and keep homes.

<http://www.toronto.ca/legdocs/mmis/2009/cc/decisions/2009-08-05-cc38-dd.htm>

City Council on July 11, 12 and 13, 2012, endorsed in principle the Private Sector Housing Roundtable report, titled "Housing Makes Economic Sense"; and the strategic directions for action on opportunities to create new affordable homeownership, help meet affordable rental housing demand, and reinvest in private rental housing communities.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2012.EX21.30>

COMMENTS

The DC Rebate Program is an initiative under Ontario's Fair Housing Plan to increase the supply of purpose-built market rental housing. Through the program, eligible market rental housing developments would receive a rebate of development charges collected by municipalities.

The DC Rebate program provides an opportunity to address Toronto's tight rental market. The vacancy rate for purpose-built rental housing in Toronto is currently one percent, the lowest level in 16 years. The DC Rebate program would be specifically targeted to mid-range rental housing.

To participate in this program by the deadline of March 2, 2018, staff are required to submit a copy of City Council's decision designating the housing Service Manager as program administrator, directing the Service Manager to submit an EOI to the MHO, and authorizing the Service Manager to enter into a Transfer Payment Agreement with MHO on the municipality's behalf.

Key Program Features

Eligible Projects

- Developments must be consistent with the Provincial Policy Statement and conform with the Growth Plan;
- Developments must align with other provincial priorities and lead to net new additional public good (rental housing, family-sized units, senior-friendly, close to transit and transit hubs);
- Developments and units receiving provincial rebates remain rental for a minimum of 20 years; and
- Non-luxury rental units, where starting rents do not exceed 175% of Average Market Rents (AMR) as published by CMHC.

Role of Municipalities

While there are no requirements for municipalities to contribute to the DC Rebate program, municipalities cannot use this program to replace any existing housing programs and incentives that municipalities may already have with respect to rental housing, such as the City's affordable (below market) rental housing program. Program administrators may also use up to 5% of allocations to cover administration costs as indicated in a municipal take-up plan.

Participating municipalities will administer the DC Rebate program based on local need, changing rental market conditions, and demand for rental housing in their community. For instance, municipalities have the flexibility to determine parameters such as:

- The built-form of rental housing developments (e.g., high-rises, mid-rises, town homes),
- Unit size configurations in the development,
- The amount of development charges rebate provided for eligible rental housing developments and units (e.g., full or partial rebates); and
- The timing of the rebate (e.g., at what point after the development charges are collected would a rebate be made available), within program parameters.

Additionally, municipalities have the ability to set a lower rent threshold, require starting rents be maintained over a specific period of time, or require income testing future residents.

Preliminary Program Design and Implementation in Toronto

1. The DC Rebate program applies to all built-forms and all unit size configurations of non-luxury rental housing developments.
2. The DC Rebate program is to be available to units with initial rents set at 100%-150% of AMR, by unit type. This is consistent with the City's Official Plan definition of mid-range rental housing. This is also within the provincial program parameters that allows municipalities to adjust the starting rents that do not exceed 175% of AMR.
3. The amount of development charges rebate for the 2018-19 submissions will be a portion of the 2018 development charges rates per unit type in effect, up to a maximum of 100%. The rebates are to be awarded through a competitive process and processed on the day development charges are paid, or as soon as practicable thereafter. Upon successful execution of the City's terms and conditions, the rebate will be provided as a forgivable interest free loan secured against the property for the proposed period of the 20 years that the units are required to remain rental.
4. Staff propose the DC Rebate program be administered through the City's Open Door Program. Streamlining the implementation of the DC Rebate program through the Open Door program and prioritizing developments that include affordable rental housing will support the City's vision in creating mixed-income communities.

The Open Door program, through a competitive process, provides financial and planning incentives for eligible affordable rental housing projects where rents are set at or below 100% AMR. The DC Rebate program would apply to mid-range units with rents set at 100%-150% AMR.

Applicants participating in the 2018 Open Door Call for Applications are to include information regarding affordable (at or below AMR), mid-range (100%-150% AMR) and market rental housing (over 150% AMR) portions of the proposed developments.

Applicants are required to support and justify their financial requests including detailing their development and management qualifications, corporate financial viability, capital and operating budgets, as well as project design and development schedules with supplementary documents.

Applications to the Open Door Program and the DC Rebate program will be reviewed by an interdivisional review team consisting of staff from City Planning, Affordable Housing Office, City Legal, Corporate Finance and Shelter, Support and Housing Administration.

A report outlining the results of the Open Door Call for Affordable Rental Housing Applications is scheduled to be considered by the Affordable Housing Committee on June 25, 2018, by the Executive Committee on July 17, 2018 and by the City Council on July 23-25, 2018. This report will also outline which Open Door projects are recommended for approval through the DC Rebate program.

In the event that the City's allocation through the DC Rebate program exceeds the rebates requested by the successful Open Door applicants, staff will issue a separate Request for Proposals in 2018 to allocate the remaining funds.

5. To be eligible for the DC Rebate program, the household income of the first occupant of each rental units must be at or below the initial income limit, which is four times the annualized monthly occupancy cost. Income testing is to be applied only at the initial occupancy by the successful applicant.

6. Approved applicants will be required to sign binding agreements with the City which address enforcement mechanisms, security, payment deferral arrangements, administration oversight and compliance with the provincial program requirements.

7. The Affordable Housing Office and City Planning will monitor the approved projects to ensure compliance with program requirements as they relate to income verification, conformity with provincial policies and maintaining rental status for 20 years. The City may use up to five percent of Toronto's annual allocations, as indicated in the take-up plan, to cover administration costs.

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ATTACHMENT

Attachment 1- Development Charges Rebate Program Guidelines