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## **2020 OPERATING BUDGET BRIEFING NOTE**

### **Housing Secretariat – Annual Costs of Fee Waivers and Property Tax Exemptions for Affordable Housing development**

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#### **Issue/Background:**

At its January 17<sup>th</sup>, 2020 meeting, the Budget Committee requested that the Executive Director, Housing Secretariat and the Chief Financial Officer and Treasurer provide a budget briefing note on the following:

1. The status of the Vacant Homes Tax report and what implementation impacts would be for 2020;
2. The projected annual costs of waiving application fees for affordable housing and how will that gap be filled within the budget; and
3. A breakdown by project/site of Service and Rent expenditures.

This briefing note responds to that request.

#### **Key Points:**

The following is being provided in response to Motion 5e outlined above:

1. **The status of the Vacant Homes Tax report and what implementation impacts would be for 2020:**
  - The status of the item as well as associated impacts will be outlined in a separate briefing note from the Chief Financial Officer and Treasurer.
2. **The projected annual costs of waiving application fees for affordable housing and how that gap will be filled within the budget:**
  - The projected annual cost of waiving application fees to support the creation of affordable rental housing is outlined in Table 1 below:

Table 1: Estimated cost of waiving application fees and exemptions for affordable rental \ Housing

Year	Projected Approvals*	Projected Annual Costs of Waiving Application Fees Per Unit	Projected Annual Cost of Property Tax Exemptions Per Unit	Total Cost of Waived Fees and Exemptions
2020	1,500	\$50,000	\$17,000	\$ 100,500,000.00
2021	1,700	\$50,000	\$17,000	\$ 113,900,000.00
2022	1,700	\$50,000	\$17,000	\$ 113,900,000.00
2023	1,700	\$55,000	\$20,000	\$ 127,500,000.00
2024	1,700	\$55,000	\$20,000	\$ 127,500,000.00
<b>TOTAL</b>				<b>\$ 583,300,000.00</b>

\*Projected approvals are based on anticipated projects that will be submitted for Council approval through the Open Door Affordable Rental Housing Program and the Housing Now Initiative, and include development targets under these programs.

- Waived application fees are City financial incentives which include waived development charges, building permits and planning application fees and relief from municipal property taxes for the affordability period (*see Appendix A for more details*).
- The above stated costs are foregone revenues to the City and are estimates at this time. Staff will request Council approval for specific housing initiatives and recommend appropriate funding sources as those initiatives come forward.
- Annual costs from estimated waived fees and property tax exemptions for affordable housing is accommodated in current and future year budgets through:
  1. **Development Charges and Parkland:** The 10-year capital plan is developed utilizing revenue projections that factor an estimated level of development charge and Parkland dedication fee exemptions.
  2. **Building Permit and Planning Application Fees and Property Taxes:** The City's balanced Operating Budget is based on revenue projections which include projections for fee waivers and property tax exemptions.

**3. Breakdown by project/site of Service and Rent expenditures:**

- A large portion of the Service & Rent expenditures outlined on page 7 of the Housing Secretariat's budget notes is attributable to the Housing Now Initiative approved by

Council in January 2019 through report *EX1.1 – "Implementing the "Housing Now" Initiative"*.

- Housing Now leverages City-owned land for the purpose of creating new mixed-use, mixed-income, transit-oriented communities.
- The table below provides a summary of the estimated 2020 pre-development costs to activate the 11 Housing Now sites:

*Table 2: Estimated Pre-development Costs*

<b>Site</b>	<b>2020 Pre-development Costs*</b>
Bloor/Kipling	\$2,017,500
1250 Eglinton	\$475,000
50 Wilson Heights	\$1,418,070
140 Merton	\$245,486
705 Warden	\$492,500
Bloor/Islington	\$1,207,500
777 Victoria Park	\$494,000
770 Don Mills	\$285,500
805 Don Mills	\$244,000
3933 Keele St.	\$531,000
251 Esther Shiner	\$1,772,500
<b>TOTAL</b>	<b>\$9,573,056</b>

\*Figures are estimates and are subject to change.

- Pre-development costs include but are not limited to: costs incurred to complete planning studies, surveys, environmental studies, architectural design, code and engineering reviews, public consultation and market studies; and other directed related project costs including personnel, legal and transaction fees, tenant relocation costs, etc.

### **Service & Rent:**

- The increase in 2020 over 2019 projections is predominately due to planned pre-development work to activate the Housing Now sites. Additionally,
  - In 2019, predevelopment work for 4 sites began, activating 2,390 residential units, with 989 units as affordable rental.
  - In 2020, predevelopment work for 7 sites will begin, activating 7,987 residential units, with 2,719 units as affordable rental.

- The work to be completed in 2020 will support the creation of a total of 10,377 residential units, including 3,708 affordable rental units for low-to-moderate-income tenants across the city.

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**Date:** January 24<sup>th</sup>, 2020

**Appendix A**  
**Types of Waived Application Fees/ City Financial Incentives**

<b>Development Charges</b>	Development charges are fees collected from developers at the time a building permit to help pay for the cost of infrastructure required to provide municipal services to new development, such as roads, transit, water and sewer infrastructure, community centres and fire and police facilities.
<b>Building Permit Fees</b>	<p>A Building Permit is required to begin the construction, demolition, addition or renovation of a property.</p> <p>Building Permit Fees are calculated based on the work that is proposed in the application.</p>
<b>Planning Application Fees</b>	A Planning Application is submitted for proposals that involve Official Plan and Zoning By-law Amendments, Site Plan Control, Draft Plan of Subdivision, Draft Plan of Condominium, and Part Lot Control Exemptions.
<b>Parkland Dedication Fees</b>	<p>In new developments, developers and builders are required to either set aside a certain amount of land for parkland (parkland dedication) or in some circumstances, they may pay a fee in lieu of this.</p> <p>When they pay the fee in lieu of parkland dedication, the fee is called a Parks Levy Fee. These fees are paid prior to building permit issuance. Parks Levy Fees are a per cent of the market value of the development.</p>
<b>Property Tax</b>	<p>Municipal property tax relief is recommended for the affordability term of the rental homes and the total value of the incentives includes an estimation of the net present value of the municipal portion of the property taxes for the affordability period.</p> <p>Ongoing municipal property tax exemption is conditional upon compliance with terms and conditions as set in the Contribution Agreement over the affordability period.</p>