July 2, 2013

Mayor and Members of the Executive Committee
City of Toronto, 100 Queen Street West
Toronto, Ontario, M5H 2N2

Your Worship and Members of the Executive Committee

RE: Executive Committee Item EX33.1
Development Charges By-law Review

We are writing in regard to the staff report that will be brought forward to Executive Committee at its meeting on July 3, 2013. As one of the foremost builders and operators of new purpose-built high rise rental suites in the City of Toronto, as well as an emerging force in the residential condominium industry, we want to express our concerns over the proposed fee increases and implementation timelines recommended by staff.

By way of background, Concert Properties Ltd. was founded in 1989 by 19 Canadian union and management pension funds who have given us a mandate to create and manage sustainable real estate developments that would create a long-term cash flow for our shareholders. Our business focuses primarily on building and managing purpose-built rental apartments and retirement communities, and on acquiring, developing and managing commercial and industrial properties. We also develop residential condominiums and have recently expanded our business to include a variety of infrastructure projects. Concert has operations in British Columbia, Alberta and Ontario and the backing of more than 200,000 Canadian pensioners. Our commitment is to build strong, sustainable communities across Canada.

Since 2003 Concert has constructed and currently manages 2,281 new, purpose-built residential rental suites in the City of Toronto, including two new projects that are currently being completed and are occupying this summer. We believe a healthy residential market includes the construction of new purpose-built rental projects. Unfortunately, with land and construction costs continually increasing, it has become exceedingly difficult to secure opportunities to allow us to continue to grow our rental business. The proposed increase in Development Charge fees and the timelines suggested by staff would effectively stop any new rental construction in the foreseeable future as we simply could not afford to absorb such a significant increase. In part this is because of a critical difference between the rental and condominium business. The condominium process allows developers, should they choose to do so, to pass on part or
all of these increases to end purchasers. For purpose-built new rental, the developer-owner will be required to absorb 100% of this increase, which given our low margins is something we simply cannot afford to do.

As previously mentioned, although Concert has built thousands of condominium suites in Vancouver and elsewhere, we are a relatively new player in Toronto, closing our first condominium project this fall and actively marketing our second, a large-scale mixed use office/residential condominium project in the City’s St. Lawrence Market neighbourhood. Like most condominium developers, we have the ability to flow through most of the proposed increase to our end purchasers. However this is not the way we prefer to do business. Regardless of our approach staff’s recommendations represent a $5.0 million increase in project costs to this project alone. Given the slowdown in the marketplace and the tightening of the lending industry, this increase brings the viability of this project into question, notwithstanding we have sold over 70% of suites sold. In order to avoid this issue we would require implementation timelines more consistent with those previously adopted by the City. By implementing more reasonable transition provisions, projects such as ours would be allowed to proceed under the rules upon which we are currently operating. When you take into account that the old by-law was not even set to expire until April of 2014 more reasonable transition provisions seems only fair.

We have been part of the industry’s liaison group, working with staff on this issue. To date we have had some positive dialogue regarding both the quantum of the increase, the components that make up that quantum and staff’s proposed implementation timelines. However, in our opinion further dialogue is warranted. Given staff themselves are recommending coming back to Council in October we would ask that the report before Executive Committee be deferred to allow for additional time for the industry to work with staff on a more equitable solution.

Sincerely,

CONCERT PROPERTIES LTD.

Andrew Gray
Vice President, Eastern Region