

Progress on Toronto's Participation in Ontario's Development Charges Rebate Program for Non-Luxury Rental Housing

Date: June 11, 2018
To: Affordable Housing Committee
From: Director, Affordable Housing Office
Wards: All

SUMMARY

On April 27, 2018, the Province of Ontario confirmed Toronto's funding allocation through the Ontario Development Charges Rebate Program of \$60 million over five years, beginning in 2018/2019. This represents almost half of the province-wide program funding of \$125 million.

The purpose of the program is to stimulate the creation of new non-luxury rental housing in communities, such as Toronto, where suitable rental homes have become increasingly hard for individuals and families to find and afford.

The results of the 2018 Open Door Program Call for Affordable Rental Housing Applications will be outlined in a companion report at the July 2018 meeting of Council. It will recommend 422 mid-range rental homes in three mixed-income developments as eligible to participate in the first year of Toronto's delivery of the Ontario Development Charges Rebate Program. Subject to Council approval, these three developments will also contain 228 new affordable rental homes, resulting in mixed-income communities, one of the City's Housing Opportunities Toronto and Official Plan priorities.

On January 31 and February 1, 2018 City Council approved the City's participation in the province's Development Charges Rebate Program, and authorized the Director, Affordable Housing Office on behalf of the City acting as Service Manager under the Housing Services Act, 2011, to administer the province's Development Charges Rebate Program. This report seeks additional authorities including budgeting and resourcing administration of the program, utilizing the up to five per cent administration fee included in the provincial program funding envelope, with net zero impact to the City.

This report responds to direction from Council at its January 31 and February 1, 2018 meeting, to report to the Affordable Housing Committee, Executive Committee and Council in June and July, 2018 on program administration and recommended projects eligible for the province's Development Charges Rebate Program.

The provincial program will be coordinated with a new City Purpose-built Rental Development Charges Rebate Program, approved by Council on April 24, 25, 26 and 27, 2018. The City program was established to provide support for non-luxury purpose-built rental housing to mitigate the impact of rate increases to development charges approved by Council in 2018, effectively freezing development charges at 2018 rates for qualifying units. The City has committed to matching the same amount of funding, on an annual basis, provided by the Province over five years.

This report has been prepared in consultation with the Corporate Finance, Toronto Building, Accounting Services, City Legal, City Planning, Social Development, Finance and Administration and Shelter, Support and Housing Administration divisions.

RECOMMENDATIONS

The Director, Affordable Housing Office recommends that:

1. City Council delegate authority to the Director, Affordable Housing Office to:
 - a. Approve as program administrator under the Ontario Development Charges Rebate Program projects eligible for funding, on terms satisfactory to the Director, Affordable Housing Office and coordinate with affected divisions including Toronto Building, Accounting Services, Legal Services and Corporate Finance to administer the program in accordance with the provincial program guidelines.
 - b. Undertake appropriate measures as the Ontario Development Charges Rebate Program proceeds to adjust program parameters, recipients and year end funding among program components as required to ensure full and effective use of available provincial funds, on such terms and conditions as are satisfactory to the Director, Affordable Housing Office, and in a form approved by the City Solicitor.
 - c. Negotiate and enter into on behalf of the City, agreements or documents required with other City divisions, the Province, provincial agencies, community agencies, private entities and/or individuals to allocate and deliver the Ontario Development Charges Rebate Program funding in accordance with the provincial program guidelines, to secure the financial assistance being provided and to set out the terms of the development and operation of the new rental housing, on terms and conditions satisfactory to the Director, Affordable Housing Office and in a form satisfactory to the City Solicitor.
 - d. Approve the Take-Up Plan to the Province to request funding for qualifying rental housing developments and units eligible to receive rebates and any updates or adjustments required under the Ontario Development Charges Rebate Program.
2. City Council approve the establishment of an obligatory corporate reserve fund account named the 'Ontario Development Charges Rebate Program Reserve Fund - Affordable Housing Office' in Schedule 15 of the City of Toronto Municipal Code

Chapter 227, Reserves and Reserve Funds ("Chapter 227"), the purpose of which is to receive provincial funds from the Ontario Development Charges Rebate Program and to make payments to developers eligible to receive Development Charges rebates through the program and to draw funds to cover City administration costs, with criteria as set out in Appendix A of this report.

3. City Council authorize an increase to the 2018 Approved Operating Budget for the Affordable Housing Office by up to \$120,000 gross, \$0 net to support the creation of two new full time temporary positions and fund one-time ancillary set-up costs required for the administration and delivery of the program, fully funded from the administration funding component of the City's allocation under the Ontario Development Charges Rebate Program. The new positions are required from September 1, 2018 to December 31, 2020 with the option to extend their duration beyond 2020 subject to Council approval through future year budget processes.

4. City Council authorize the Director, Affordable Housing Office, in consultation with the Chief Financial Officer, to make the necessary in-year budget adjustments to the approved annual operating budget for the Affordable Housing Office to receive and budget funding and expenditures for each year of the program, if required, and otherwise process future year requests through the annual budget process.

FINANCIAL IMPACT

On April 27, 2018, the Province confirmed notional funding to the City of Toronto from the Ontario Development Charges (DCs) Rebate Program of \$60 million over five years, beginning in 2018/2019, including up to five per cent to be used toward administration costs.

Table 1a presents Toronto's funding allocation for each provincial fiscal year of the program and Table 1b the notional funding allocation broken down by rebate and administration components.

Table 1a: Toronto's Annual Notional Funding under the Ontario Development Charges Rebate Program

Total Funding	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22	Year 5 2022/23
\$60,000,000	\$12,220,150	\$11,486,317	12,073,383	\$12,220,150	\$12,000,000

Table 1b: Rebate and Administration Components of Annual Notional Funding Allocation

Funding Component	Year 1 2018/19	Year 2 2019/20	Year 3 2020/21	Year 4 2021/22	Year 5 2022/23
Rebate Component	\$11,609,143	\$10,912,001	\$11,469,713	\$11,609,143	\$114,000,000
Administration 5%	\$611,008	\$574,316	\$603,669	\$580,457	\$570,000

Implementation of the Ontario Development Charges Rebate program is contingent on several conditions including:

- Annual provincial budget approvals
- The City of Toronto and the Province entering into a transfer payment agreement
- Submission and provincial approval of the City's Take-Up Plan requesting the transfer of funds and identification of qualifying rental housing developments and units to receive rebates
- Transfer of funding from the Province to the City to fund rebates.

Recommended Approvals for Year One of the Development Charges Rebate Program

Following City Council's direction on implementing the provincial program primarily through the Open Door Program, with the additional option of conducting a competitive process if additional units are required or to meet provincial timelines to fully utilize available funds, three developments representing 422 mid-range rental housing units are recommended to benefit from Year 1 or Year 2 of the Provincial DCs Rebate Program. These units are being recommended for rebates through a parallel report to the July 2018 Council meeting titled: *Creating 606 Affordable and 422 Mid-Range Rental Homes in Toronto: Results of the 2018 Open Door Affordable Housing Call for Applications*.

The estimated value of Development Charges outlined in the 2018 Open Door report, based on the City's rates for the year of expected payment of DCs (2018 and 2019), is \$12,138,906.

Actual development charges are calculated by Toronto Buildings through the building permit review process and collected when permits are issued. At that point, the actual amount to be funded through the program will be determined, and the City's requested funding from the Province adjusted accordingly.

Rebates for the estimated development charges identified in the *Results of the 2018 Open Door Affordable Housing Call for Applications* report may be drawn from either the Year 1 or Year 2 notional allocation to the City, depending on timing of permit applications and the City's utilization of available annual funding.

At the discretion of the Director, Affordable Housing Office, there is some flexibility should the need arise to vary the percentage of rebate to be funded, and/or the number

of units to be funded, to ensure that the sum of the rebates to be provided does not exceed the annual funding transferred from the Province to the City.

Once the provincial annual funding is fully utilized, approved units may be eligible for the City's Purpose-built Rental Development Charges Rebate Program, approved by Council on April 24, 25, 26 and 27, 2018, to provide a partial rebate to non-luxury (up to 175% of Average Market Rent in Toronto) purpose-built rental housing to mitigate the impact of DCs rate increases.

Financial Impacts for Administration of Ontario Development Charges Rebate Program

At its meeting January 31 and February 1, 2018, City Council designated the Director of the Affordable Housing Office on behalf of the City acting as Service Manager under the Housing Services Act, to administer the Provincial Development Charges Rebate Program.

The provincial program has a two-year window for each year's notional annual funding allocation to be committed and spent, after which time unutilized funds must be returned to the Province. To ensure sufficient flexibility to fully approve and spend the DCs Rebate Program, this report recommends that the Director, Affordable Housing Office, in consultation with the Chief Financial Officer, be authorized to make any necessary in-year budget adjustments to receive and budget funding and expenditures for each year of the program.

Additional staffing resources will be required for the Affordable Housing Office to administer the Ontario DCs Rebate Program in coordination with other divisions, including the following: delivery of competitive processes to select eligible rental housing developments and units, working with eligible developers to monitor schedules for payment of DCs, provision of documentation verifying eligibility of units for the program, execution of legal agreements, interdivisional coordination, accounting and processing of rebates, preparation of Take-Up Plans to the province, ensuring compliance with provincial guidelines, reporting to the City and province, monitoring legal agreements over 20 years from date of occupancy, including initial income verification at the time of initial rent-up and compliance with audit requests.

This report specifically recommends that City Council authorize an increase to the 2018 Approved Operating Budget and complement of the Affordable Housing Office by up to \$0.120 million to support the creation of 2 new full time temporary positions, as well as one-time set-up costs, to administer the program (e.g., office reconfiguration, furniture and equipment). The recommended initial duration of the positions is from September 1, 2018 to December 31, 2020, with future year extension requests subject to Council approval through the annual budget process.

Table 2 summarizes the anticipated financial impacts of the two temporary Policy Development Officer (PDO) positions required to commence the implementation of the program. However, position requirements are preliminary at this time and may change as the implementation of the program proceeds subject to review and approval by the Director, Affordable Housing Office in coordination with affected divisions.

One-time set-up costs of \$50,000 to accommodate and equip two new staff are also included in the 2018 budget, for a total financial impact of up to \$120,000 gross, \$0 net in 2018, and up to \$300,000 gross, \$0 net in 2019 and 2020, fully funded from the Program's administration funding component.

Table 2: Estimated Financial Impact 2018 to 2020 of Two Temporary Policy Development Officer Positions (Specific Positions To Be Determined) and One-Time Set-Up Costs in 2018 (e.g., Office Reconfiguration, Furniture and Equipment)

Budget year	2018	2019	2020
Salary and Benefits (estimated start date September 1, 2018)	\$70,000 gross, \$0.0 net	\$280,000 gross, \$0.0 net	\$300,000 gross, \$0.0 net
One-Time Set-Up Costs in 2018	\$50,000 gross, \$0.0 net	N/A	N/A
Total	\$120,000 gross, \$0.0 net	\$280,000 gross, \$0.0 net	\$300,000 gross, \$0.0 net

This report also recommends that City Council approve the establishment of an obligatory corporate reserve fund account named the 'Development Charges Rebate Program Reserve Fund - Affordable Housing Office' in Schedule 15 of the City of Toronto Municipal Code Chapter 227, Reserves and Reserve Funds ("Chapter 227"), the purpose of which is to receive provincial funds from the Ontario Development Charges Rebate Program and to make payments to developers eligible to receive development charges rebates through the program and to draw funds to cover City administration costs, with criteria as set out in Appendix A of this report. Provincial guidelines require interest to be earned on the funds being held by the City, and to be used for a purpose consistent with the program or to be returned to the Province, at their discretion.

Accountability and transparency to City Council will be achieved in the following ways in which the City's utilization of the Provincial DCs Rebate Program will be reported: through the annual Open Door Affordable Housing Activity Report, the annual Open Door Affordable Housing Call for Applications Report and the annual budget submission for the Affordable Housing Office.

The Interim Chief Financial Officer has reviewed this report and agrees with the financial impact information.

EQUITY IMPACT STATEMENT

Implementation of the Provincial Development Charges Rebate program provides Toronto with an opportunity to address its historically low vacancy rates and unaffordable rents, and contributes to creating socially-mixed communities. The Housing Opportunities Toronto Action Plan (2010-2020) and the City's Official Plan strongly support providing a mix of housing opportunities and creating affordable housing in mixed income, inclusive and complete communities.

DECISION HISTORY

City Council on April 24, 25, 26 and 27, 2018 adopted a report from the Interim Chief Financial Officer, titled the "Development Charges Bylaw Review - Results of Additional Consultation." This report authorized the establishment of a City Purpose-built Rental Development Charges Rebate Program, to be administered by the Director, Affordable Housing Office. The purpose of the program is to provide support for non-luxury (up to 175% of AMR) purpose-built rental housing to mitigate the impact of the Development Charges rate increases approved by Council through this report. This program will be complementary to the Ontario Development Charges Rebate Program.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX33.3>

City Council on January 31 and February 1, 2018 approved the City's participation in the Ontario Development Charges Rebate Program. The purpose of the program is to stimulate the creation of new non-luxury (up to 175% of AMR) rental housing in communities, such as Toronto, where adequate and appropriate rental homes have become increasingly hard for individuals and families to find and afford. The Council decision titled "Council Authority Required for City to Take Part in Province's Development Charges Rebate Program - March 2nd Deadline" authorized the Director, Affordable Housing Office, on behalf of the City acting as Service Manager under the Housing Services Act, to administer the Development Charges Rebate program; to submit an Expression of Interest and enter into agreements with the Province; to design the program and to report to the June/July 2018 cycle of Committees and Council on administration and project approvals.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2018.EX30.34>

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>

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>

COMMENTS

Administration of the Provincial and City Development Charges Rebate Programs

The City is implementing two Development Charges Rebate programs, one provincial and one City, as outlined below.

At its meeting January 31 and February 1, 2018, City Council designated the Director of the Affordable Housing Office on behalf of the City acting as Service Manager under the Housing Services Act, to administer the Ontario Development Charges Rebate Program. Council also authorized the Director of the Affordable Housing Office, in consultation with City officials, to enter into a Transfer Payment Agreement with the Province to receive and spend funding under the Ontario Development Charges Rebate program.

At its meeting April 24, 25, 26 and 27, 2018, Council authorized the Director, Affordable Housing Office, in consultation with the Chief Financial Officer, to administer the City's Purpose-built Development Charges Program, outlined below.

Delivery of these two DCs rebate programs will be coordinated, in collaboration with affected City Divisions, including Toronto Building, Accounting Services, Corporate Finance and City Legal. An interdivisional working group has been established, led by the Affordable Housing Office and Corporate Finance Division, to establish key implementation processes and legal agreements. Program design is underway, preparatory to meeting timelines for the provincial and City rebate programs.

Ontario Development Charges Rebate Program

The Ontario Development Charges Rebate Program is an initiative designed to stimulate the creation of new non-luxury (up to 175% of AMR) rental housing in communities, such as Toronto, where adequate and appropriate rental homes have become increasingly hard for individuals and families to find and afford.

The provincial guidelines, attached as Appendix B, allow flexibility to municipalities on several aspects of the DCs Rebate program. While 'non-luxury' units up to 175% of the City's Average Market Rent (AMR) by unit type, set annually by the Canada Mortgage and Housing Corporation (CMHC) are eligible, municipalities can set a lower percentage for the rebate. In Year 1 the City is capping the percentage at 150% of AMR, consistent with Toronto's 'mid-range' rental housing definition under the Official Plan. This may vary in future competitive processes for the rebate.

Similarly, municipalities are permitted to provide a partial or full rebate. This will be determined through the City's program design phase and may be adjusted in future competitive processes. All of the above will be contingent on provincial funding approval of the City's Take-Up Plans and sufficiency of program funding transferred to the City, as outlined in the Financial Impact section of this report.

The rebates are to be awarded through a competitive process, either the annual Open Door Affordable Housing Call for Applications or a Request for Proposals (RFP) to be issued by the Affordable Housing Office. Upon successful execution of the City's terms and conditions through a legal agreement, the rebate will be provided as a forgivable interest free loan secured as a charge against the property for the proposed period of the 20 years after the date of first occupancy that the units are required to remain rental.

In addition to the rent criteria, the City plans to require one-time income verification based on rents at four times the rent level of the unit at the time of initial rent-up. This, as well as the provincial requirements that initial rents be at or below non-luxury or mid-range, and that they remain rental for 20 years after the date of first occupancy, will be reported on and included in legal agreements with the developer. In the event of default, repayment conditions will be secured through the legal agreement between the City and the developer.

Monitoring of agreements over 20 years and reporting to both the Province, as required by the Program Guidelines and Transfer Payment Agreement, and the City will be carried out by the program administrator, the Director, Affordable Housing Office.

Toronto Purpose-Built Rental Development Charges Rebate Program

The City's Purpose-Built Rental Development Charges Rebate Program was approved by City Council on April 24, 25, 26 and 27, 2018 to mitigate the impact of DC rate increases beginning November 1, 2018 non-luxury rental housing; and to assist the residential development sector to overcome the challenges they face in building this type of housing, including: much higher equity requirements over condominiums, difficulties obtaining construction financing loans or achieving appropriate or timely returns on investments, and timing of development approvals.

City Council has approved matching the provincial annual allocation to the City under its complementary program, equivalent to \$60 million over five years. Non-luxury units would be eligible for a development charges rebate up to the value of the DC rate increase over the 2013 by-law, effectively freezing the rates at current levels for eligible projects.

The City program would commence once all of the Ontario DCs Rebate Program annual funding is utilized, and would apply to eligible non-luxury purpose-built rental units selected through a City process currently being developed.

Importance of Increasing Toronto's Rental Housing Supply

The primary purpose-built-rental market is viewed as an important component of the City's housing continuum, with greater security of tenure and a source of long-term rental housing, compared to condominiums. Toronto's Official Plan (Section 3.2.1.3) encourages coordinated efforts by all orders of government to stimulate the production of purpose-built rental housing through "a range of strategies, including effective taxation, regulatory, administrative policies and incentives."

Increasing the overall supply of non-luxury and mid-range rental housing has the potential of reducing pressure on the inventory of affordable rental homes for lower-income households.

The current limited supply is affected by a number of factors including record housing prices, considerable migration and lower tenant turnover, leading to the City's record low vacancy rates in the rental housing market. As a result, Toronto's current rental market is significantly constrained in terms of availability and affordability, and demand is outstripping supply, as reflected in the following key statistics:

- Toronto's purpose-built rental vacancy rate has continued to drop to a 16-year low of one per cent, the lowest rate in Ontario and Canada (Canada Mortgage and Housing Corporation rental market statistics).
- Nearly half (525,835 or 47%) of Toronto households rent (2016 Census and City of Toronto Backgrounder, October 2017).
- 245,605 renter households in Toronto (46.7%) spend 30% or more of their income on rent. (2016 Census).
- Less than five per cent of the Greater Toronto Area's purpose-built rental stock was built in the last 37 years ("Review: 2017 CMHC Rental Survey," Urbanation, 2017).
- A greater portion of Toronto's new rental housing supply is in the form of condominium rentals which provide less security of tenure and historically higher rents, and higher rent increases, compared to purpose-built rentals (CMHC rental market statistics).
- Renter household formation is increasing in the GTA, reaching 18,178 per year between 2011 and 2016, almost doubling the rate recorded between the previous two Census periods as the homeownership rate declined." (Urbanation Review: 2017 CMHC Rental Survey," 2017).

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ATTACHMENT

Appendix A - Ontario Development Charges Rebate Program Reserve Fund -
Affordable Housing Office

Appendix B - Ontario Development Charges Rebate Program Guidelines
(Draft May 2018)

APPENDIX A

Ontario Development Charges Rebate Program Reserve Fund - Affordable Housing Office

Location within the Consolidated Reserves/ Reserve Funds Schedule

Schedule No. 15 – Third Party Agreements Obligatory Reserve Funds

Statement of Purpose

This account will be used to receive funds from the Provincial Development Charges Rebate Program and to make payments to developers eligible for the rebates. The reserve fund will also be used to fund the administrative costs of the program.

Service Area or Beneficiary Program

The Affordable Housing Office shall have primary responsibility for the account.

Initial Contribution

The initial financial contribution is \$0.

Contribution Policy

The funds will be provided from the Province of Ontario's Development Charges Rebate Program.

Withdrawal Policy

The funds will be withdrawn in accordance with the Operating Budget process and additional Council direction.

Review Cycle

The account will still stay open until all funds have been exhausted and all legal agreements with rebate recipients have expired.

APPENDIX B

Ontario Development Charges Rebate Program Guidelines (Draft May 2018)

2018

Development Charges Rebate Program

Program Guidelines

Ontario Ministry of Housing
Updated as of May 2018



DRAFT

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Introduction

It is a provincial interest to have an appropriate mix and range of housing options, including purpose-built rental housing that caters to diverse needs of all ages and incomes.

There are two types of rental housing in Ontario: purpose-built rental housing (which includes market rentals, and social or affordable housing) and the secondary rental market (consisting primarily of individually rented condominiums, singles/semis and basement apartments).

While the secondary rental market is an important part of the overall rental stock, these units may be available in the rental pool one year and not the next. The availability of units in the secondary rental market in any community depends on the owner's decision, which is affected by prevailing economic and real estate conditions, among other factors.

There are many advantages in increasing the supply of purpose-built market rental housing, as it:

- Addresses the need for stable rental housing and better security of tenure for tenants with diverse needs, compared to individually rented homes and condos.
- Caters to older demographics within communities, by offering options for seniors looking to downsize, while enabling them to stay in their communities and age in place.
- Supports and aligns with provincial priorities and goals with respect to growth planning, intensification and the need for more missing middle housing.
- Attracts and retains skilled workers to Ontario and high growth urban areas.
- Increases the province's economic competitiveness and allows for increased mobility of residents, both geographically and within the housing market.

Development Charges Rebate Program

The Development Charges Rebate Program (the "Program") is a provincial initiative to increase the supply of purpose-built market rental developments. The Program provides rebates for development charges and education development charges and aims to reduce the construction costs of building market rental housing, particularly in those communities that are most in need of new purpose-built rental housing.

The Program is in addition to two other recent initiatives aimed at increasing the supply of purpose-built rental housing:

- A mandatory new multi-residential property tax class, which ensures that municipalities tax new rental apartments at a similar rate as other residential properties. The mandatory new multi-residential property tax class applies to all new rental housing for which building permits have been issued on or after April 20, 2017.
- A Provincial Affordable Housing Lands Program that leverages surplus provincial land to develop a mix of market housing and new, sustainable affordable housing.

Program Funding

Under the Program, up to a total of \$125 million over five fiscal years is available as rebates for development charges, starting with 2018-19. Notional allocations for all five fiscal years 2018-19, 2019-20, 2020-21, 2021-22, and 2022-23 (up to \$25 million each year for a total of \$125 million) was announced in spring 2018 in accordance with provincial accounting and budgetary practices.

Program funding will be provided according to the terms and conditions of a Transfer Payment Agreement (TPA) between the Province and the municipality, and is also subject to annual provincial budget approvals, and fulfillment of reporting requirements.

Funding for Program Administration

Participating municipalities, or their designates such as their Service Managers, that administer the program may use up to 5% of their annual funding allocations to cover administration costs, if needed, as indicated in a municipal Take-Up Plan.

Scope of the Guidelines

The Program Guidelines describe the various program requirements for the Program, including the role of municipalities, long-term affordability requirements for rental developments receiving provincial rebates, rental housing developments and units eligible to receive funding under the program, and accountability and reporting requirements.

Please note that the Program Guidelines may be updated on an as-needed basis and changes will be communicated to municipalities.

Municipal Contribution

There are no requirements for municipalities to contribute to the Program. Municipalities are encouraged to consider providing municipal incentives, where permissible, to purpose-built market rental developments eligible to receive provincial rebates under the program.

The Program cannot be used by municipalities to replace any existing housing programs and incentives that municipalities may already have with respect to affordable (below-market) rental housing. For greater clarity, this Program cannot be used by municipalities to replace or support a municipal program or any municipal decision relating to deferrals or rebates or exemptions of development charges.

Role of Municipalities

Participating municipalities will administer the Program based on local need, changing rental market conditions, and demand for rental housing in their community.

Under the Program, municipalities have the flexibility to determine:

- The built-form of rental housing developments eligible to receive a development charges rebate (e.g., high-rises, mid-rises, town homes), based on local housing need;
- Unit size configurations in the development, based on local need;
- 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.

As program administrator, a municipality will:

- Enter into a Transfer Payment Agreement (TPA) with the Ministry of Housing (MHO);
- Administer the Program in compliance with the TPA and the Program Guidelines;
- Plan activities related to program delivery, which may include assessing local housing needs and planning processes;
- Identify rental housing developments and units eligible to receive a rebate under the program;
- Determine the amount of the rebates on a project by project basis;
- Determine key milestones for payment of the rebate;
- Develop and enter into required agreements with developers of rental housing developments and units receiving provincial rebates to set out a procedure to receive provincial rebates and monitor progress;
- Flow provincial rebates to eligible rental housing developments and units;
- Complete and submit Take-Up Plans to MHO, as indicated in the TPA; and
- Monitor progress and provide reports to MHO, as indicated in the TPA.

In administering the Program, municipalities are encouraged to work with their housing Service Manager and/or the upper-tier municipality (in case of a two-tier system) to ensure alignment with local planning and housing policies, and coordinate municipal incentives, if provided.

Municipalities have an option to designate someone including their housing Service Manager as the administrator of the Program.

If a municipal council designates someone such as the housing Service Manager as the program administrator:

- The municipality and/or the housing Service Manager must submit a copy of the municipal council's by-law designating the housing Service Manager as program administrator, authorizing the Service Manager to enter into a Transfer Payment Agreement with MHO on the municipality's behalf, and a copy of their agreement to

carry out and administer the Program and ensure long-term rental status of the Eligible Rental Housing Developments.

- The housing Service Manager must provide written confirmation from a person of appropriate authority of its willingness to act as program administrator.

In such cases, the Service Manager should work with the designating municipality in determining the Eligible Rental Housing Developments and Eligible Units that are eligible to receive a Rebate under the Program, planning approval timelines, and any municipal incentives that may be available.

Eligible Rental Housing Developments and Eligible Units that can receive Provincial Rebate

Municipalities have the flexibility to determine the Eligible Rental Housing Developments and Eligible Units that will receive funding through this Program based on local need, but within broad provincial program criteria:

- Developments must be consistent with the Provincial Policy Statement and conform with provincial plans where applicable;
- 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;
- Non-luxury rental units, where starting rents do not exceed 175% of AMR as published by Canada Mortgage and Housing Corporation (CMHC). Municipalities have the ability to set a lower threshold based on local circumstances and housing policies.

The following types of developments and units are not eligible under the Program:

- Single and semi-detached homes, duplexes/triplexes, and retirement homes;
- Units already receiving provincial capital subsidies under housing supply programs (e.g., under IAH – Rental Component);
- Luxury market rental units, where starting rents exceed 175% of Average Market Rents, as published by CMHC;
- Units to be created through a municipal inclusionary zoning bylaw; and
- Developments receiving a municipal deferral of or exemption in whole or in part from the payment of development charges.

Starting Rents and Long-Term Affordability Criteria

Proposed starting market rents for Eligible Rental Housing Developments and Eligible Units receiving provincial Rebates cannot exceed 175% of Average Market Rents (AMRs), as published by CMHC, for a given year. In cases, where CMHC does not publish AMRs, municipalities should use AMRs based on local evidence and research (e.g., survey of market rents in the community or municipality), and inform the Ministry of Housing (MHO) accordingly.

Municipalities have the flexibility to target rebates for proposed Eligible Rental Housing Developments and Eligible Units with starting rents at a percentage of AMR lower than 175%, without any further provincial restrictions. Municipalities also have the flexibility to use AMRs as the neighbourhood level, if available from CMHC.

There are no long-term affordability requirements for units receiving provincial Rebates under the program beyond the threshold for starting market rents, subject to the provisions under the Residential Tenancies Act, 2006.

Stacking With Other Housing Supply Programs

Stacking or combining rebate funding under the Program with MHO's other housing supply programs is permitted only in certain circumstances.

Examples of Stacking

To illustrate potential circumstances where stacking would be allowed under the program, please see the following examples:

Example #1	Eligibility
The developer would like to add six market rental units to an affordable rental housing development already approved to receive provincial funding under Investment in Affordable Housing – Rental Component to create a mixed-income rental development. Starting rents are at 150% AMR.	Yes. The six market rental units are not receiving provincial funding under Investment in Affordable Housing would be eligible to receive the development charge rebate under the program.
Example #2	Eligibility
The developer would like to add five market rental units to an affordable rental housing development already approved to receive provincial funding under Investment in Affordable Housing – Rental Component to create a mixed-income rental development. Starting rents are at 185% AMR.	No. The five units would not be eligible as they would be considered luxury units as they exceed this programs threshold of 175% of AMR.

Program Accountability and Reporting

Accountability for provincial actions, decisions, and policies with regard to the use of public funds for programs and services is important. The Province has an obligation to demonstrate value for money, and to ensure that funds have been spent appropriately and in a timely manner.

Transfer Payment Agreement (TPA)

The TPA sets out accountability requirements between the Province (through MHO) and the municipality, and outlines the roles and responsibilities of both parties, as required by the Province's Transfer Payment Accountability Directive.

In case a housing Service Manager has been designated as program administrator, the Province would enter into a TPA with the Service Manager subject to council's authorization.

The TPA will require the municipality to develop formal rebate agreements with any developers who receive provincial rebates for the purpose of meeting program objectives and requirements.

Take-Up Plans

Based on their notional allocations, participating municipalities will be required to submit a Take-Up Plan in the first quarter of each fiscal year for all years in the program to MHO for approvals.

The Take-Up Plan for a particular fiscal year will be informed by rental housing developments that have come forward for planning approvals and meet program eligibility criteria. A municipality's Take-Up Plan should:

- Provide details of the proposed market rental housing developments and units that meet program and eligibility criteria as laid out in the Program Guidelines;
- Indicate if the municipality has set an AMR threshold for non-luxury market rental units that is lower than from provincial threshold of 175% AMR, and what that threshold would be;
- Indicate timing of when the rebate would flow towards the eligible market rental developments after the collection of the development charges;
- Indicate how much of the fiscal year's notional allocation the municipality would need on a quarterly basis, to facilitate transfer of provincial rebates from MHO to municipality;
- Indicate timelines around expected planning approvals and issuance of building permits for the proposed market rental developments specified in the plan;
- Indicate details of any municipal incentives provided; and
- Identify legal mechanisms that would keep proposed developments and units as rental for a minimum of 20 years.

The Province recognizes that the planning approval processes around market rental housing developments can sometimes take a few years before a building permit is issued. To accommodate for any delays in the planning approval processes for developments and units proposed in the Take-Up Plans, municipalities will have two years to rebate eligible developments, if required. The two years start at the beginning of each fiscal year, when municipalities receive MHO approval on their Take-Up Plan for the funding year. For example, for allocations made in fiscal year 2018-19, municipalities will have up until March 31, 2020 to make the rebates.

Payment Process and Schedule

Payment Process

MHO will advance funding directly to municipalities (or designated Service Managers), who will be responsible for administering the Rebates to Eligible Rental Housing Developments and Eligible Units in accordance with the approved Take-Up Plan and in compliance with Program requirements.

Payment Schedule

MHO will provide quarterly funding to municipalities, based on MHO approved first quarter Take-Up Plans.

Recovery and Reconciliations through Adjusted Take-Up Plans

MHO will also undertake reconciliations through adjusted Take-Up Plans submitted every six months to assess if the Provincial Rebates are being administered in accordance with program criteria and the Take-Up Plan as approved.

If a municipality reports back that it is unable to rebate its allocation for that fiscal year, MHO would either reconcile unspent funding or re-allocate the funding to another municipality. Reallocation would be based on capacity of other municipalities to rebate development charges as reflected in their Take-Up Plans. The reallocation would be determined through discussions between MHO and municipalities around proposed Eligible Rental Housing Developments and Eligible Units and the anticipated timelines that development charges would be imposed on such Developments.

Indemnification and Repayment

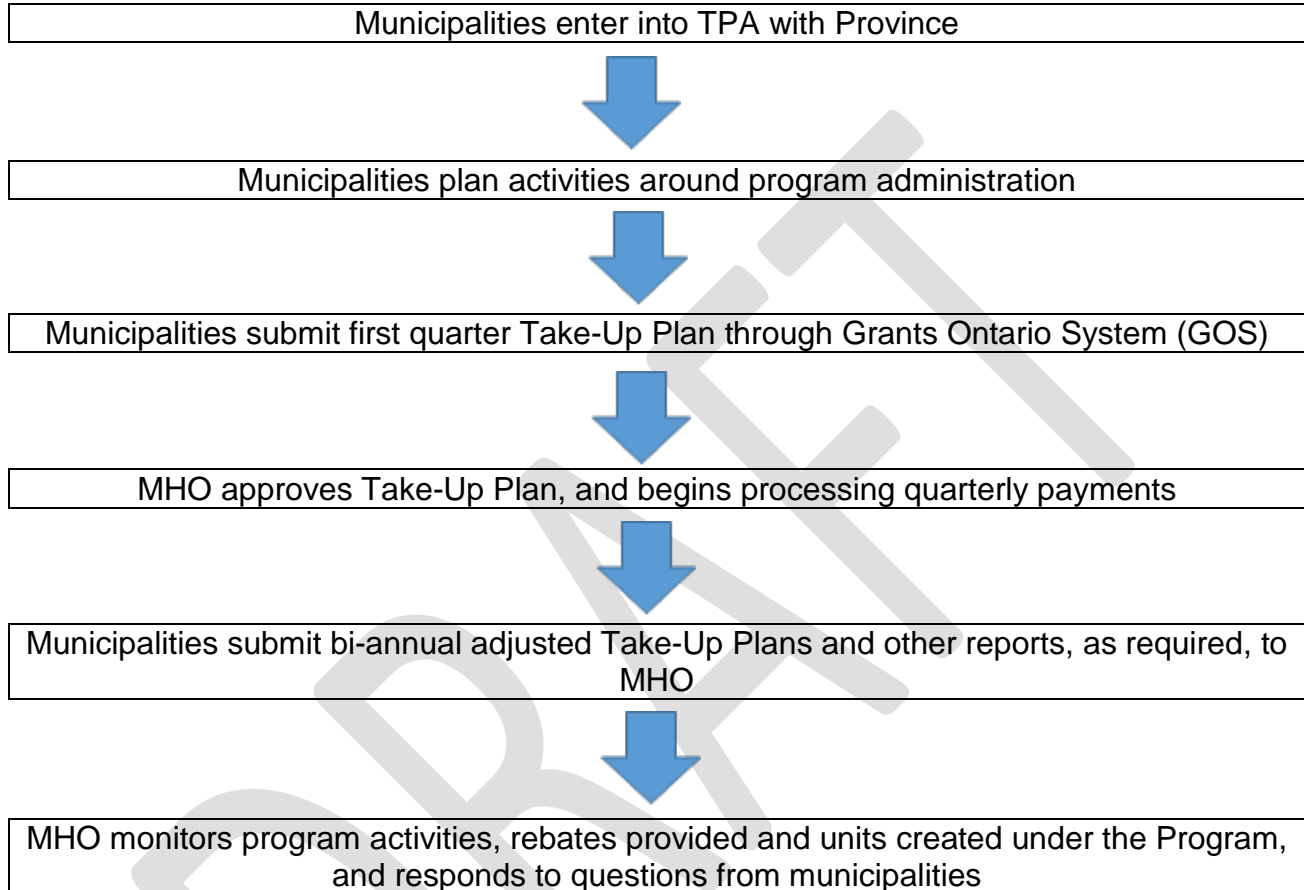
There are obligations for all Program recipients with regard to the indemnification and recovery of provincial government funding. The TPAs will contain specific obligations and provisions relating to indemnification and recovery of provincial funding, including any interest earned on this funding.

Other Reporting Requirements

Through their adjusted Take-Up Plans and other reports, municipalities will report back on the following:

- Adjusted forecasted and actual rebates made to date;
- Details of the developments receiving rebates (address of site, total number of units in the development, if there are units in the development receiving capital subsidies through another provincial program such as IAH);
- Total and per unit provincial rebates provided to eligible developments or units on a site-by-site basis (until fully transferred);
- Details of any municipal incentives provided to the eligible developments or units on a site-by-site basis;
- Total number of market rental units receiving rebates by bedroom type and unit size;
- Expected or actual starting market rents by bedroom type and comparison against AMR threshold; and
- Expected or actual occupancy date for the development/units.

Appendix A: Program Implementation Flow Chart



Appendix B: Ministry of Housing Contacts

Housing Programs Branch - Toronto

777 Bay Street, 14th Floor
 Toronto, ON, M5G 2E5
 Fax: 416-585-7003

Contact: Walter Battello, Account Manager, Regional Services Delivery Unit
 Tel: 416-585-6480
 Email: walter.battello@ontario.ca

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Municipal Services Office – Central

777 Bay Street 13th Floor
 Toronto, ON, M5G 2E5
 General Inquiry: 416-585-6226
 Toll Free: 1-800-668-0230
 Fax: 416-585-6882

Contact: Ian Russell, Team Lead, Regional Housing Services
 Tel: 416-585-6965
 Email: ian.russell@ontario.ca

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8 Estate Lane, Rockwood House
 Kingston, ON, K7M 9A8
 General Inquiry: 613-545-2100
 Toll Free: 1-800-267-9438
 Fax: 613-548-6822

Contact: Mila Kolokolnikova, Team Lead, Regional Housing Services
 Tel: 1-613-545-2123
 Email: mila.kolokolnikova@ontario.ca

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Municipal Services Office – Western

659 Exeter Road, 2nd Floor
London, ON, N6E 1L3
General Inquiry: 519-873-4020
Toll Free: 1-800-265-4736
Fax: 519-873-4018

Contact: Pearl Dougall, Senior Housing Advisor,
Tel: 1-519-873-4521
Email: pearl.dougall@ontario.ca

Cynthia Cabral, Senior Housing Advisor,
Tel: 1-519-873-4520
Email: cynthia.cabral@ontario.ca

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Municipal Services Office – Northeastern

159 Cedar Street, Suite 401
Sudbury, ON, P3E 6A5
General Inquiry: 705-564-0120
Toll Free: 1-800-461-1193
Fax: 705-564-6863

Contact: Cindy Couillard, Team Lead, Regional Housing Services
Tel: 1-705-564-6808
Email: cindy.couillard@ontario.ca

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