

The Regional Municipality of York

Committee of the Whole
Finance and Administration
June 10, 2021

Report of the Commissioner of Finance

Extension of Large Office and Affordable Rental Development Charges Deferrals Due to the Pandemic

1. Recommendations

1. Council approve the technical amendments to the “Office Buildings a Minimum of 75,000 square feet and on the Regional Centres and Corridors or specific Local Centres – Pilot Program”, shown as Attachment 1, which includes an extension of this pilot program from October 2022 to October 2024.
2. Council approve the technical amendments to the “Affordable, Purpose-Built Rental Buildings” deferral program, shown as Attachment 2, which includes an extension of the availability of the 3-year, 1,500-unit allowance from October 2022 to October 2024.
3. The Regional Clerk circulate this report to local municipalities and the Building Industry and Land Development Association – York Chapter (BILD).

2. Summary

This report seeks Council approval to extend the time period for two development charge deferral programs due to the impact of pandemic containment measures on residential and non-residential construction. It also recommends amending these policies to reflect recent legislative changes and make other technical changes.

Key Points:

- In October 2019, Council approved new long-term development charges deferrals for Office Buildings a Minimum of 75,000 square feet and on the Regional Centres and Corridors or specific Local Centres – Pilot Program (“Large Office Buildings”) and Affordable, Purpose-Built Rental Buildings to help facilitate the development of complete communities.
- The development charge deferral for large office buildings is a three-year pilot program capped at 1.5 million square feet. The affordable rental program is not a pilot program, but has a three-year 1,500-unit cap.
- On March 11, 2020, the World Health Organization declared a global pandemic due to COVID-19.

- Over the past year, the Province has imposed varying restrictions on residential and non-residential construction activities to stop the spread of COVID-19.
- Staff recommend extending the time availability for these two development charge deferrals (Attachments 1 and 2), in light of the impact of restrictions on residential and non-residential construction.

3. Background

On October 17, 2019, Council approved two new long-term development charge deferrals to help facilitate the development of complete communities

On October 17, 2019, Council approved new long-term development charge deferrals for Large Office Buildings and Affordable, Purpose-Built Rental Buildings to help facilitate the development of complete communities. These programs were intended to help address the gaps in our communities, including the lack of affordable housing options available to mid-range income households, and the need for more large-format office development to support our growth knowledge economy.

The Large Office Building deferral is a pilot program, intended to run from October 2019 until October 2022. The Affordable, Purpose-Built Rental Building deferral, while not a pilot program, provided for 1,500 units over that same three-year period.

Under both programs, the full development charges payable could be deferred, interest-free, for between five and 20 years and neither program requires a letter of credit. Table 1 summarizes other key details of these policies, with additional information available on the Region's [website](#).

Table 1
Key Details of the Region's Financial Incentives for Complete Communities

Program	Total GFA/Units	Pilot program	Minimum threshold to qualify	Locational restriction
Large Office Buildings	1.5 million square feet	Yes – 3 years	4 storeys and 75,000 square feet (per building)	Regional Centres and Corridors or on specific Local Centres*
Affordable, Purpose-Built Rental Buildings	1,500 units over three years**	No	4 storeys and 'affordable'	Region-wide (5-year deferral) Regional Centres and Corridors or on specific Local Centres* (10- and 20-year deferral)

* As defined in the policies, available [here](#)

** Note: This program is not a pilot, however the availability is limited to 1,500 over three years. Staff would report back at the end of that three-year timeframe.

In March 2020 a global pandemic was declared, followed by a State of Emergency declaration at both the Provincial and Regional levels

On March 11, 2020, the World Health Organization (WHO) declared a global pandemic due to the spread of the COVID-19 virus. In order to protect the health and safety of all Ontarians, the Province responded by declaring a State of Emergency on [March 17](#) with the Region declaring a State of Emergency on [March 23](#).

To slow the spread of COVID-19, both residential and non-residential construction has been restricted on multiple occasions

Since the Provincial State of Emergency declaration in March 2020, and to slow the spread of COVID-19, non-essential construction has been restricted during each of the three waves of the pandemic. These Provincial restrictions have impacted both residential and non-residential construction, including developers of affordable, purpose-built rental buildings as well as developers of office buildings.

The development industry has also faced other COVID-19-related challenges including staffing challenges, requirements for enhanced safety and some supply chain disruption.

4. Analysis

The uptake on these development charge deferrals has been slow

Since Council approval of the two incentive programs, staff have actively engaged with both residential and non-residential stakeholders, providing them with information on the programs and meeting with them as needed. Thus far, there has been no uptake on the Large Office Building program, while only two affordable rental housing developments, totaling 261 new rental units (216 units in Newmarket and 45 units in Vaughan) have taken advantage of that deferral program.

Due to the pandemic, staff recommend extending the time availability for the Region's financial incentives for complete communities

As a result of the Provincial restrictions on residential and non-residential construction during the pandemic, staff are recommending that the Large Office Building pilot project be extended for two years (to October 2024)¹. Staff are also recommending that the original 3-year, 1,500-unit allowance for Affordable, Purpose-Built Rental Building program be extended for a similar two-year period (to October 2024). If the 1,500-unit allowance is reached prior to October 2024, staff will report back to Council on possible next steps.

¹ Note: Two years was chosen to accommodate for the current duration of the pandemic/State of Emergency, in addition to accounting for potential future restrictions.

By extending the timing availability for these development charges deferrals, the development industry can be better positioned to develop complete communities, that address the needs of both residents and businesses, in a post-pandemic environment.

Technical amendments to the deferral policies are also required to reflect recent changes to legislation

It is also being recommended that Council approve technical changes to these deferral policies. These changes are intended to reflect recent legislative changes, align with the new Regional policy template, provide clarification where appropriate and align wording from other Regional development charges deferral policies.

As an example, when these policies were approved by Council in October of 2019, they contemplated providing authority to defer community benefits charges. As a result of the changes under Bill 197, *COVID-19 Economic Recovery Act, 2020*, which received Royal Assent on July 21, 2020, upper-tier municipalities cannot levy these charges. Staff therefore recommend that these policies be amended accordingly.

Table 2 summarizes the changes to the policies.

Table 2
Summary of Amendments to Development Charges Deferral Policies to Facilitate the Development of Complete Communities

Deferral	Key Changes	Attachment
Large Office Buildings	Extend 3-year time availability of the pilot program Reflect legislative changes (e.g., removal of community benefits charges references), provide clarification, align to new Regional policy template, align wording with other development charges deferral policies	1
Affordable, Purpose-Built Rental Buildings	Extend timing of 3-year, 1,500-unit cap Reflect legislative changes (e.g., removal of community benefits charges references), provide clarification, align to new Regional policy template, align wording with other development charges deferral policies	2

5. Financial

If there is take up, the development charge deferral programs represent a financing cost to the Region but would also spur assessment growth and support social and economic development across the Region.

Extending the time availability of the deferral programs does not result in additional financing costs, as the caps on eligible square footage and unit are being maintained (1.5 million square feet for the Large Office Building deferral, and 1,500 units for the Affordable, Purpose-Built Rental Buildings deferral).

While deferring development charges delays development charges collections and results in lost interest revenue, the corresponding benefits to encouraging complete communities supports social development and economic growth across the Region, particularly as the Region emerges from the COVID-19 pandemic.

6. Local Impact

COVID-19 has impacted residential and non-residential development across all nine local municipalities. Extending the availability of these programs recognizes this and will help facilitate the development of complete communities across the Region.

7. Conclusion

The COVID-19 pandemic has impacted all stakeholders in the Region, including the development industry. Extending the time availability of the Large Office Building pilot program as well as the 3-year, 1,500-unit cap for the Affordable, Purpose-Built Rental Building program recognizes this.

Finally, staff will continue to monitor the uptake on these deferrals and report back to Council as required.

For more information on this report, please contact Edward Hankins, Director, Treasury Office and Deputy Treasurer at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

Recommended by: *Laura Mirabella*
Laura Mirabella, FCPA, FCA
Commissioner of Finance and Regional Treasurer

Approved for Submission: 
Bruce Macgregor
Chief Administrative Officer

May 27, 2021
Attachments (2)
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