
Joint Report of the Commissioners of Finance and Corporate Services
Development Charges Deferral for Affordable Rental Buildings Policy - Update

1. Recommendations

1. Council approve continued implementation of the Development Charges Deferral for Affordable Rental Buildings Policy by amending to remove the expiry date and unit cap as updated in Attachment 1.
2. The Regional Clerk circulate this report to local municipalities, the Ministers of Finance and Municipal Affairs and Housing, and the Building Industry and Land Development Association.

2. Purpose

This report seeks Council's approval to update the Development Charges Deferral for Affordable Rental Buildings Policy as provided in Attachment 1.

Key Points:

- In [October 2019](#), Council approved new long-term Development Charges (DC) deferrals to facilitate development of rental buildings affordable to moderate income households. The program included a 1,500-unit//3-year allowance
- In [June 2021](#), Council extended the expiry date for the 1,500 unit/ 3-year allowance to October 2024
- This report proposes continuity of the Development Charges Deferral for Affordable Rental Buildings Policy until its potential consideration as part of a suite of tools under the umbrella of the 10-year Housing and Homelessness Plan
- This report also amends the area of application to align with current terminology for intensification areas (i.e., adds reference to Major Transit Station Areas)

- Without approval of Attachment 1, York Region will no longer have a DC deferral program for affordable rental housing

3. Background

York Region has the lowest supply of rental housing across the Greater Toronto and Hamilton Area (GTHA)

At 18% of total housing stock, York Region has the lowest supply of rental housing across the GTHA. This compares to Durham at 21%, Peel at 26% and Toronto at 48%. Since 2016, renter households accounted for over half of all household growth in York Region; however, only 5% of these renter households are in purpose-built rental housing. The remaining 95% rely on the secondary rental market, such as condominiums and ground-related homes, which typically offer less affordability and security of tenure compared to purpose-built rentals.

Recent analysis confirms need for continued commitment to increasing the supply of rental options affordable to moderate income households

The Region's most recent [Housing Needs Assessment](#) identified a limited supply of rental housing and that renter households are more likely to experience housing challenges. The Needs Analysis highlighted that it is more pressing to address the needs of renter households across a variety of incomes and characteristics.

In 2023, York Region saw an increase in new rental supply with more units completed than the past 5 years combined, including 670 private rental units. Development interest for rental housing continues to climb, with almost 8,200 proposed units reported across 34 developments ([May 2024](#), [June 2024](#)).

Council has demonstrated leadership in offering financial incentives for rental developments affordable to moderate income households

Council has taken action to incentivize rental developments by offering a 3-year DC deferral and servicing allocation reserve for all rental developments, subject to capacity. In 2019, this was expanded to incentivize rental developments affordable to moderate income households, as described in Table 1.

Table 1
Affordable* Rental DC Deferral Duration and Criteria

Duration	Criteria	Location
5 Year	Affordable rental housing	Urban Area, Towns and Villages
10-Year	Affordable rental housing	Centres and Corridors, Specific Local Centres
10-Year	Affordable rental housing Minimum 100 units Minimum 50% units 2 or more bedrooms	Urban Area, Towns and Villages
20-Year	Affordable rental housing Minimum 200 units Minimum 50% units 2 or more bedrooms	Centres and Corridors Specific Local Centres

* Rental housing that is less than, or equal to, one-hundred and seventy-five (175) % of Average Market Rent (AMR) for private apartments, by bedroom type.

Since 2018, 693 rental units across six developments have received deferrals, including 151 units in a development that received a 3-year deferral, and 542 units across five developments that received the longer deferrals outlined in Table 1. The longer-term deferrals are subject to a 1,500-unit/3-year allowance. There are currently 958 units remaining in the policy. The time allowance was extended in [June 2021](#) and has now expired.

4. Analysis

Continuity in the affordable purpose-built rental development charge deferral program will allow for ongoing support of development of new rental units

DC deferral for affordable rental buildings continues to interest development proponents and local municipalities. Staff receive ongoing expressions of interest in accessing the program and are aware that the DC deferral program is used to bolster financing requests submitted to Canada Mortgage and Housing Corporation (CMHC). It has been determined that:

- There is a need to increase rental supply in York Region
- Existing affordable purpose-built rental development charges deferrals have been a successful tool in supporting the development of new units
- The program is aligned with the corporate strategic policy framework

The thresholds embedded in the Development Charges Deferral for Affordable Rental Buildings align with the incomes of moderate-income households in the Region per the Provincial Policy

Statement; generally, those earning from the 3rd income decile (approximately \$80,000/year) to the 6th decile (approximately \$150,000/year). These households are not eligible for rent subsidies in community housing but also cannot afford what the private sector is building.

To address housing challenges in the Region, it is important that momentum in the rental market be maintained and promoted. As such, this report recommends that the Development Charges Deferral for Affordable Rental Building Policy be amended to allow for ongoing application by removing the expiry date and unit cap. The existing 36-month DC deferral remains in effect and is not impacted by this report.

Proposed changes also align area of application (i.e. intensification areas) with current planning terminology by including Major Transit Station Areas (MTSAs) introduced since the original policy was introduced.

The 10-Year Housing and Homelessness Plan is currently being updated

In [October 2024](#), Council received a report outlining potential actions to increase affordable and community housing supply under the next 10-Year Housing and Homelessness Plan to give a line of sight and receive feedback. Actions to support community and affordable housing in an increasingly challenging housing market will be considered through the next 10-year Housing and Homelessness Plan.

While this report extends the pilot development charges deferral program, further actions and incentives to facilitate rental, including those discussed in [October 2024](#), will be considered as part of the Region's next 10-Year Housing and Homelessness Plan.

Affordable Development Charges deferrals for rental housing support Good Government and Healthy Communities focus areas of the 2023 to 2027 Strategic Plan and Vision

Supporting development of purpose-built rental buildings through a targeted development charges deferral policy aligns with the Region's Strategic Plan and its goals, including the Corporate Strategic Plan Objective to "sustain and increase affordable housing choices". It also aligns with the 10-year Housing and Homelessness Plan Goal to "increase the supply of affordable and rental housing."

5. Financial Considerations

This report does not present current or anticipated financial changes to the Region's budget or fiscal position.

Based on the uptake of the previous deferral program, if 200 new qualifying rental units per year deferred their DCs, \$9.1 million could be deferred annually (based on current DC rates and historic

apartment splits). The proposed DC deferrals would be financed, as opposed to funded, and therefore do not have any tax levy or user rate implications.

While deferring DCs delays their collection, the deferrals have increased supply of affordable purpose-built rental supply in York Region which in turn supports local municipal social and economic growth targets while also leveraging the Region's infrastructure investments.

6. Local Impact

Local municipalities are key partners in addressing mid-range income affordable housing needs through the private market. Local municipal input informed development of the deferral policy. Local municipal staff reviewing active purpose-built rental applications have indicated support for continuing the program pending its review along with a suite of incentives which may be required to promote affordable housing options in an increasingly challenging housing market.

7. Conclusion

The affordable rental development charges deferral policy successfully supported increasing supply of affordable rental inventory in York Region. The report recommends updates to the existing policy that eliminate the unit/timeframe allowance and add areas of applicability. This ensures continuity of the program while other incentive options are being explored to support local municipal efforts to achieve housing and affordability targets.

For more information on this report, please contact Teresa Cline, Manager Planning Policy at 1-877-464-9675 ext. 71591 or Bonny Tam, Director Treasury Office (A) at 1-877-464-9675 ext. 75885. Accessible formats or communication supports are available upon request.



Recommended by:

Dino Basso

Commissioner of Corporate Services



Laura Mirabella

Commissioner of Finance and Regional Treasurer



Approved for Submission: **Erin Mahoney**
Chief Administrative Officer

November 14, 2024
16425476

Attachment 1 – Development charges deferral for affordable purpose-built rental buildings