

The Regional Municipality of York

Committee of the Whole
Planning and Economic Development
October 10, 2019

Report of the Commissioner of Finance, the Commissioner of Corporate Services
and the Chief Planner

Purpose-Built Rental Housing Incentives

1. Recommendations

1. Council approve the new interest free Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy, as per Attachment 1, to support development of rental housing affordable to mid-range income households
2. Council approve revisions to York Region's 36-month Development Charge Deferral for Purpose-Built Rental Buildings policy, as outlined in Attachment 2, to align with changes from Bill 108
3. Council authorize staff to amend the development charge deferral agreement for the proposed 175 Deerfield Road purpose-built rental building, in the Town of Newmarket, in order to incorporate the new development charge deferral policy identified as Attachment 1 to this report, should the agreement be executed prior to this policy being approved and coming into effect
4. Staff be directed to consult on the draft Community Improvement Plan for Affordable Rental Housing Incentives and report back to Council (Attachment 3)
5. 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 – York Chapter (BILD)

2. Summary

Incentivizing the development of purpose-built rental housing supports the creation of complete communities by helping address housing needs throughout York Region. To accomplish this, and support the development of rental housing affordable to mid-range income households, staff recommend that Council approve a new Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy, as outlined in Attachment 1. Staff also recommend that Council approve revisions to the existing 36-month Development Charge Deferral for Purpose-Built Rental Buildings policy, as per Attachment 2, to incorporate administrative updates, stakeholder feedback and to comply with [Bill 108, More Homes, More Choice Act, 2019](#).

In addition, this report provides an update to Council on the preparation of a Community Improvement Plan (CIP) for affordable rental housing (Attachment 3). This CIP would help facilitate financial grants and waivers to development proponents, in consultation with local municipalities.

Key Points:

- An increased purpose-built rental housing supply will help address housing gaps for mid-range income households
- Council has previously endorsed the provision of incentives for purpose-built rental developments to address housing gaps for mid-range income households
- Supporting the development of housing options affordable for mid-range income households supports the local economy and businesses by providing housing options for the local workforce
- Encouraging the development of new purpose-built rental housing through development charge deferrals, with an emphasis on developments that are affordable and that align with Council objectives, will support the creation of complete communities
- If an agreement is executed for the proposed 175 Deerfield Road (Town of Newmarket) under the existing 36-month Development Charge Deferral policy prior to Council approving a new longer-term development charge deferral policy for affordable purpose-build rental, staff is recommending that it be amended to incorporate any longer deferral for which the project is eligible in accordance with the new policy
- A Community Improvement Plan for Affordable Rental Housing Incentives will provide additional options for incentives

3. Background

There are housing gaps throughout York Region

Efforts to address housing needs are articulated nationally through [A Place to Call Home: Canada's National Housing Strategy](#) and provincially through the [Housing Supply Action Plan](#) and [Community Housing Renewal Strategy](#). Efforts are also articulated throughout the Region's Strategic Framework of Vision 2051, the Regional Official Plan, the updated Housing and Homeless Plan: Housing Solutions: A Place for Everyone (on the same Council agenda as this report) and through local municipal Official Plans, Housing Strategies and other policy approaches. Notwithstanding efforts at all levels of government to meet housing need, housing gaps remain in York Region, including:

- York Region has the lowest supply of rental housing in the GTHA, with low vacancy rates and high rents

- In 2018, there was no new ownership housing units affordable to the lowest earning 50 per cent of existing households
- In 2018, average resale prices for ground related units were affordable to less than 20 per cent of existing households and average resale prices of condominium units were affordable to less than 40 per cent of households

In addition to a lack of housing affordability, availability of housing by built form and location also has gaps. In general, larger, family-sized units are found at the periphery of our communities, whereas smaller sized condominium units are more prominent in the Region's Centres and Corridors.

Council has supported incentives to promote purpose built rental housing

In [June 2018](#), the Draft Rental Housing Incentives Guideline was endorsed by Council, which included potential incentives to support development of purpose-built rental housing affordable to mid-range income households. Subsequent to approving the Draft Guideline, in [March 2019](#) Council enacted a [bylaw](#) to designate areas identified as [“urban” or “towns and villages”](#) in the Regional Official Plan as a Community Improvement Project Area (CIPA) in respect of affordable purpose-built rental housing.

Building on the principles outlined in the Draft Rental Housing Incentives Guidelines, York Region's CIP for Affordable Rental Housing Incentives would have two main purposes:

1. Provide for an upper-tier development application fee waiver
2. Be structured to allow for local municipal utilization of the CIP to provide grants and waivers relating to taxes and fees

The CIP would help to align local municipal and Regional objectives to support affordable rental housing throughout our communities. As staff are recommending a development charge deferral, rather than a Tax Increment Equivalent Grant (TIEG), a CIP is not required at this time. This report recommends that staff consult with local municipal staff regarding which programs, if any, they would like incorporated into a CIP. Local municipal utilization of an upper tier CIP may have Regional administrative and financial implications that staff will assess and outline to Council accompanying the proposed CIP programs.

In September 2019, through the [2019 Water and Wastewater Capacity Assignment to Support Growth](#) staff report, Council authorized staff to establish a servicing allocation reserve of 4,000 persons to support and incent purpose-built rental housing initiatives, subject to area constraints.

Addressing housing gaps will have a positive impact on York Region's communities

Addressing housing supply gaps will positively impact York Region's communities by supporting the economic development of businesses, as well as the social, economic and physical health of residents and workers. It is important to the Region's competitiveness and city building initiatives to provide a mix and range of residential built forms and tenures

across the nine local municipalities. Providing sufficient housing options will allow businesses to attract employees, and support seniors and young adults to stay in their communities. By addressing housing gaps, York Region will support the creation of complete communities where housing is affordable for residents and workers to live, work and play closer to home.

Increased affordable purpose-built rental housing supply would help address housing gaps for mid-range income households

An increased purpose-built rental supply could help address housing gaps for mid-range income households. Mid-range income households are those that earn between the fourth and sixth deciles of the income distribution, or households annually earning between approximately \$80,000 and \$120,000 in 2018. They are not eligible to apply for community housing and the market is not providing the range of housing options required to meet their needs.

Rental housing provides an affordable alternative to ownership and supports residents to live closer to public transit and in more compact, complete communities. In addition to addressing affordability concerns, rental housing provides flexibility for those that do not want to be tied to the obligations of owning a home.

Bill 108 will change how development charges are levied for rental development

On June 6, 2019, *More Homes, More Choice Act, 2019* (Bill 108), received Royal Assent. Bill 108 included a suite of legislative, regulatory and policy changes aimed at increasing new market ownership and rental housing supply.

Bill 108 amends the *Development Charges Act, 1997* allowing developers to lock in development charge rates on the day upon which a site plan or zoning application for the development is made. Furthermore, rental developments would not have to pay development charges until the earlier of occupancy permit or first occupancy of the development, and continue to pay, in equal annual installments, for the ensuing five years. Based on consultation with Provincial staff, it is expected that the changes to the *Act* will come into effect on January 1, 2020.

4. Analysis

Staff recommend a new Affordable Purpose-Built Rental Housing Development Charge Deferral policy and minor amendments to the existing 36-month Development Charge Deferral policy

This report recommends that Council approve two development charge deferral policies for purpose-built rental housing, outlined as follows:

1. Approve the new, longer term Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy (Attachment 1), to support development of rental housing affordable to mid-range income households

2. Revise the existing 36 month [Development Charge Deferral for Purpose-Built Rental Buildings](#) (Attachment 2), to reflect stakeholder feedback, incorporate administrative and technical updates and to align with legislated changes identified in Bill 108

The Affordable, Purpose-Built Rental Buildings Development Charge Deferral policy will be available for a maximum of 1,500 units over the initial 3-year period for developments that meet the affordability criteria. The 36 month deferral policy has no review period set and is meant to support development of rental housing at all price points.

The new longer term deferral policy will continue on an ongoing basis, with a 3-year review prior to the end of the Council term to assess its impact on facilitating the development of affordable purpose-built rental housing throughout York Region. This policy will be applicable to the Community Improvement Project Area as per [Bylaw No. 2019-15](#) for areas identified as “Urban” and “Towns and Villages” in the York Region Official Plan.

Key terms of the development charge deferral programs are set out below (for additional detail, see Attachments 1 and 2):

- Applies to purpose-built rental tenure only and must remain rental for a minimum of 20 years
- Applies to buildings a minimum of 4 storeys in height
- The local municipality where the development is located will provide similar or better incentives, relative to the Regional incentive

To qualify for the new longer term deferral policy, a development must achieve rents of 175 per cent average market rent (AMR) or less, on average, by bedroom type, maintained for a minimum of 20 years.

The length of the deferral would vary based on the location, size and affordability of the development, as outlined in Table 1.

Table 1
Regional Rental Development Charge (DC) Deferral Incentives

Duration of Regional DC Deferral	Requirements
36 Month	Purpose-built rental of four storeys or more, with no affordability criteria, applicable anywhere in York Region
5-Year	As above, with affordability criteria applied (175% AMR*)
10-Year	5-Year Deferral Requirements AND <ul style="list-style-type: none"> • Located in Regional Centres and Corridors
10-Year	5-Year Deferral Requirements: AND <ul style="list-style-type: none"> • Minimum of 100 dwelling units AND <ul style="list-style-type: none"> • A minimum of 50 per cent (%) of the total number of dwelling units in the purpose-built rental building must have two (2) or more bedrooms**
20-Year	5-Year Deferral Requirements: AND <ul style="list-style-type: none"> • Located in Regional Centres and Corridors AND <ul style="list-style-type: none"> • Minimum of 200 dwelling units AND <ul style="list-style-type: none"> • A minimum of 50 per cent (%) of the total number of dwelling units in the purpose-built rental building must have two (2) or more bedrooms**

*AMR stands for Average Market Rents, which refers to the average actual rents charged for private apartments in York Region calculated and published annually in the Canada Mortgage Housing Corporation (CMHC) Fall Rental Market.

** Units that achieve one-hundred and twenty-five (125) per cent (%) AMR or less, by bedroom type, do not have to satisfy the unit split requirement and may be excluded from the total number of units used to calculate the unit split calculation. See the Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy (Attachment 1) for more detail.

Staff recommend that the rental tower at 175 Deerfield Road in the Town of Newmarket be eligible to access the proposed affordable rental deferral program

The development proposal for 175 Deerfield Road includes a 15-storey, purpose-built rental development, with approximately 220 units. In the event that the proponent enters into a development charge deferral agreement for the rental tower portion of the development under the existing [36 Month Development Charge Deferral for Purpose-Built Rental Buildings](#) policy, staff recommend amending the agreement to provide access to the new, longer term Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy. This is in

recognition that the project brings affordable rental housing to the Region's Centre's and Corridors and should not be penalized due to the timing of this report.

The recommended development charge deferrals align with Bill 108

For developments that are in the development process when Bill 108 is proclaimed, the existing timeframes will apply. That is, development proposals with site plan or zoning submissions prior to Bill 108 proclamation will have development charge rates determined and the start of the deferral beginning at building permit issuance.

Under the proposed policy, eligible applications submitted after proclamation would have development charge rates determined at site plan or zoning application submission and deferral beginning at occupancy.

The development charge deferrals proposed are interest free, providing a better incentive than what is offered in Bill 108. In order for a proponent to opt into the Region's development charge deferrals, they would forgo the phased payments offered under Bill 108 in favour of an interest free, longer-term development charge deferral duration. Opting in to the Regional Development Charges Deferral would need to occur prior to when payment is due.

New rental units provided through the policy must be affordable to mid-range income households, with greater depths of affordability encouraged

A criterion to access the proposed new development charge deferral is that rents in the development may not, on average, exceed 175 per cent AMR of private purpose-built apartments by bedroom type, consistent with the criterion [previously reported](#) to Council. Based on the standard that a maximum of 30 per cent of gross income be spent on housing, this threshold is affordable to mid-range income earners. Specifically, bachelor, 1- and 2-bedroom units are affordable to all mid-range income households and 3-bedroom units, on average, would be available to the highest earning mid-range income households.

As noted through the double asterisk (**) on Table 1, units meeting greater depths of affordability, specifically 125 per cent AMR or less, may be excluded from the unit split ratio required to access higher incentive levels. This greater depth of affordability is used by CMHC to allow development proponents to access the [Rental Construction Financing Initiative](#), which provides lower cost loans encouraging construction of rental housing. This depth of affordability is often delivered through 1 bedroom units. Excluding these units from the unit split calculation removes potential conflict with other programs (notably CMHC), and may encourage greater depths of affordability in accordance with the Council endorsed principles for incentives.

It is recommended that the proposed development charge deferral programs identified in Table 1 also apply to Community Benefits Charges when they are in place

Based on the proposed regulatory framework released by the Province in June, municipalities will have until January 1, 2021 to adopt their first Community Benefits Charge

Bylaws. Once a Community Benefits Charge Bylaw is in place, regional growth related costs pertaining to court services, public health, social housing and senior services – capital component would be recovered through community benefit charges rather than through regional development charges.

It is recommended that the deferral policy apply to community benefits charges beginning when the Region passes, and has in-effect, a new Community Benefits Charge Bylaw.

The incentives are structured to align with Council objectives to make rental happen

The development charge deferral policies are structured to provide an increasing length of available deferrals in a manner that aligns with Council objectives to make rental happen. In particular, development proponents will receive longer development charge deferrals for larger, transit supportive, affordable developments located in York Region's centres and corridors.

Structuring the thresholds under 5, 10 and 20-Year increments encourages the development of larger, affordable purpose-built rental buildings in locations that align with York Region's city building initiatives. This policy, with the revised 36 month development charge deferral policy, will promote development of complete communities by increasing live/work opportunities through the provision of affordable housing options for the local workforce.

The draft Community Improvement Plan is attached to inform Council on how staff plan to use this tool to further incentivize affordable purpose-built rental housing

The development charge deferral policies articulated do not require a CIP for implementation. However, they are explained in the draft CIP for information (Attachment 3). The draft CIP is attached to inform Council on how staff plan to use this tool to further promote affordable purpose-built rental housing throughout York Region.

Although staff recommend focusing on development charge deferrals as Regional incentives, a CIP will enable York Region to provide application fee waivers and allow local municipalities to issue grants and waivers by utilizing the Region's CIP. To support our communities in developing affordable housing, staff will consult with our partners on local municipal programs which could be administered through York Region's Affordable Housing CIP. Staff will report to Council and schedule a statutory public meeting on the finalized CIP upon completion of consultations with local municipal staff.

5. Financial

The recommended incentives minimize impact on the tax base

Staff updated the proposed incentives from the grants as considered and outlined in the Draft Rental Incentives Guidelines to a long-term development charge deferral in order to minimize

impact on the tax base. Deferrals can be financed, whereas TIEGs require direct funding to provide grants from the municipality to the developer.

It is recommended that the deferral for affordable, purpose-built rental be available to a maximum of 1,500 units over a 3-year period

Based on staff analysis, the estimated net present value of the cost to the Region using current development charge rates would range from approximately \$4,180,000 to \$14,190,000 for a total of 1,500 units, depending on the length of deferral.

Although this can impact development charge collections for York Region over the next 20 years, the corresponding benefits to providing rental housing supports social development and economic growth across the Region.

6. Local Impact

Local municipal staff have been instrumental in development of the rental incentives proposed in this report

Local municipalities are key partners in addressing mid-range income affordable housing needs through the private market. Input received through the York Region/Local Municipal Housing Working Group has been instrumental in gaining a better understanding of local municipal housing markets and challenges, as well as developing the development charge deferral policies and draft CIP.

The Region's process to consider incentives requires local municipal staff support for a development prior to regional consideration. Once support of a development is committed to by both municipal levels, local municipal staff will be instrumental to ensure delivery of rental units through the development review and approval processes.

In consultation with, and at the request of local municipalities, Council could consider applying the incentive framework to developments in Major Transit Station Areas outside of Regional Centres and Corridors, provided that they meet the criteria.

Local municipal participation will be required

A long standing principle of Regional financial incentives has been that of local municipal participation. Local participation will be required for any financial incentives package to be successful. A rental development supported by the Region will also require support from the local municipality it is located within. Participation on the part of the local municipalities will be similar, if not better, to the satisfaction of the Region.

Further consultations with local municipal partners will be required to finalize a Community Improvement Plan

Staff are planning further consultations with our local municipal partners to determine the programs to be included in York Region's Affordable Housing CIP. In the case that a municipality wants to provide waivers or grants, the York Region draft CIP is proposed to be structured to allow for the participation of municipal programs upon Council holding a public meeting to adopt the finalized CIP and corresponding bylaw. Staff are planning on pursuing a CIP to provide an upper-tier application fee waiver, but have relied on development charge deferrals to incentivize affordable purpose-built rental housing rather than providing an upper-tier TIEG program. Local municipalities may still want a TIEG program to be administered through York Region's CIP, which requires additional direction from our local municipal partners that would be incorporated into the final CIP.

The ability for local municipalities to participate in York Region's affordable housing CIP is intended to reduce redundancies and encourage consistencies in the implementation of rental incentives throughout York Region. A number of municipalities are developing local Housing Strategies and are working on providing rental incentives, including local official plan amendments, to allow for participation in the Region's CIP.

7. Conclusion

The need for more housing options for mid-range income households has been long established. The most effective way to bolster housing supply affordable to mid-range income households is to support the development of new purpose-built rental housing. Staff are recommending that a new Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy be approved and that the existing 36 Month Development Charge Deferral for Purpose-Built Rental Buildings be amended. In addition, staff plan to report back on the draft CIP after consulting with local municipalities on the relevant programs (such as a local municipal TIEG) to include in the implementation document. This is to support local municipal utilization of York Region's CIP in the development of affordable, purpose-built rental housing.

Staff will also report on the uptake of the purpose-built rental incentives on a regular basis through the annual Affordable Housing Measuring and Monitoring exercise. Staff plan to evaluate the incentives provided and how they meet the objective of developing a greater mix and range of housing options prior to the end of this Council term. Over this 3-year period, staff will review other policy and process related approaches to facilitate purpose-built rental developments. This will help in the creation of complete communities by supporting affordable housing options for residents and workers throughout York Region.

For more information on this report, please contact Sandra Malcic, Director, Long Range Planning at 1-877-464-9675 ext. 75274 and/or Ed Hankins, Director, Treasury Office at 1-877-464-9675 ext. 71644. Accessible formats or communication supports are available upon request.

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Attachments (3)
eDOCS# 9898436