

# **Development Charges Rebate Program**

## **Purpose**

The purpose of this report is to advise Council of the City's successful application to the Ministry of Housing's Development Charges Rebate Program, seek Council's direction to enter into a Transfer Payment Agreement with the Ministry of Housing for the program as well as delegation of the administration of the program to staff. Additionally, the report seeks Council approval of eligibility criteria and requirements that staff will use to administer the program.

## **Background**

On March 20<sup>th</sup>, staff brought a report to Council detailing the Development Charges Rebate Program offered by the Ministry of Housing and highlighting the City's eligibility to participate due to its high tenancy population. Council endorsed the Expression of Interest for the program and authorized the City to enter into a transfer payment agreement should the Expression of Interest be successful. In that report Staff also committed to seek subsequent Council direction on program criteria and administration pending the success of the application.

## **Summary**

The CGS has been approved to receive total notional funding of \$1,183,180 under the Development Charges Rebate Program.

To access this funding, the City must enter into a Transfer Payment Agreement and prepare and submit a take up plan by September 1<sup>st</sup>, 2018.

The City will be responsible for administering the program and reporting to the province on an annual basis. The City can use up to 5% of the annual funding allocation to for administration costs (approximately \$59,159/5 yrs).

The City can determine eligibility requirements for the program in addition to those specified by the Province. The recommended criteria for the City of Greater Sudbury's program are:

### **Provincial 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 public good;
- Developments and units receiving provincial rebates must remain rental for a minimum of 20 years;
- Starting rents cannot exceed 175% of Average Market Rent in Greater Sudbury, as published by CMHC;

### **Greater Sudbury Criteria:**

- Developments must be located within the Built Boundary of the City of Greater Sudbury;
- Developments must demonstrate urban design consistent with the policies of the City of Greater Sudbury Official Plan;
- Eligible developments are limited to multiple dwellings more than 4 units, subject to the City's Site Plan Control By-law;
- Developments must enter into a Site Plan Agreement and a Development Charge Rebate Agreement with the City;
- Eligible developments cannot have entered into a site plan agreement with the City prior to July 1<sup>st</sup>, 2018; and
- Development Charge Rebates will issued upon completion of building permit file of eligible developments.

It is recommended that administration of the Development Charges rebate program be delegated to Planning, Building and Finance staff and that staff be directed to enter into a transfer payment agreement and submit a take up plan to the Ministry of Housing in accordance with the criteria established in this report.

### **Funding**

On April 27<sup>th</sup>, the Ministry of Housing advised the City that its Expression of Interest was successful and that the City was approved to receive a total notional funding of \$1,183,180 over five years under the Development Charges Rebate Program. This funding is subject to the City entering into a transfer payment agreement and submitting a Take-Up Plan to the Ministry which will outline program parameters and eligibility. Specifically, the Take Up Plan is to include details of the proposed developments and units that meet the eligibility criteria, indicate timing of when the funding would flow after development charges have been collected, indicate how much of the fiscal years notional allocation would be required on a quarterly basis,

indicate timelines around expected planning approvals and issuance of building permits, indicate details of municipal incentives provided; and identify legal mechanisms that would keep the proposed developments and units as rental for a minimum of 20 years.

## **Program Administration**

Under the Development Charges Rebate Program, municipalities will administer the program based on local need, changing rental market conditions and demand for rental housing. Municipalities have the flexibility to determine:

- The built form of rental housing developments eligible to receive a development charge rebate (i.e. high rise, mid rise, townhouses);
- Unit size configurations, and
- Timing of the rebate within program parameters.

As the program administrator, municipalities will:

- Enter into a Transfer Payment Agreement with the Ministry of Housing;
- Administer the program in compliance with the Transfer Payment Agreement and Program Guidelines;
- Plan activities related to program delivery;
- Identify rental housing developments and units eligible to receive a rebate under the program;
- Determine the amount of rebates on a project by project basis;
- Determine key milestones for payment of the rebate;
- Develop and enter into 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 the Ministry of Housing, as indicated in the TPA; and,
- Monitor progress and provide reports to the Ministry of Housing as indicated in the TPA.

The implementation and administration of the development charges rebate program represents an increased service level for the City. There is, however, an opportunity to align this new level of service within existing City processes, specifically the SPART and

site plan review process. Developers are required to pre-consult with the City on site plan applications, at that time staff could make eligible developers aware of the development charges rebate program and requirements. Should developers decide to apply to the program, the associated development charge rebate program agreement could be incorporated in to the site plan agreement. The mechanisms for monitoring and administering the program could also be incorporated into the site plan and building permit processes, with Planning staff assuming responsibility for administering the development charge rebate program specific aspects. Staff will rely on existing administrative processes through Building and Finance for collecting and rebating of development charges.

To ensure that the funding being made available by the Province for the development charges rebate program is fully utilized, it is recommended that eligible projects be approved on a first come first served basis.

It is recommended that Council delegate the administration of the Development Charges Rebate Program to staff, subject to the eligibility requirements outlined in this report.

## **Projected Demand**

On April 9<sup>th</sup>, staff presented the "Outlook for Growth to 2046" prepared by Hemson Consulting. This report provides demographic information, including population, household and employment projections for the City from 2016 to 2046. The report projects that there will be approximately 2,240 apartment units created in the City over the next 30 years, or approximately 75 per year.

As mentioned the City was approved to receive notional funding of \$1,183,180 over five years, or roughly \$237,000 per year. The current development charge for apartments and multiples is \$9,784 per unit, meaning that City could provide full development charge rebates to a maximum of 120 units under the program or 24 per year. In other words, apartment unit construction will likely exceed the amount of rebate funding available under the program and as a result the City should consider establishing eligibility criteria beyond those required by the Province in order to achieve land use planning objectives outlined in the City's Official Plan. It is also recommended that the program be administered on a first come, first served basis as part of the site plan review process as outlined above.

## **Program Eligibility**

### ***Provincial Eligibility Criteria***

The Province specifies broad criteria that municipalities must adhere to when determining eligibility criteria, specifically;

- Developments must be consistent with the Provincial Policy Statement and conform with provincial plans where applicable (in this case the Growth Plan for Northern Ontario);
- Developments must align with other provincial priorities and lead to net new 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; and,
- Non-luxury rental units, where starting rents do not exceed 175% of Average Market Rent, as published by CMHC. Municipalities have the ability to set a lower threshold based on local circumstances and housing policies.

The Province also specifies that certain types of development and units are not eligible under the program, specifically:

- Single and semi detached homes, duplexes/triplexes and retirement homes;
- Units already receiving provincial capital subsidies under housing supply programs;
- Luxury market rental units, where starting rents exceed 175% of average market rent, as published by CMHC;
- Units to be created through a municipal inclusionary zoning by-law; and,
- Developments receiving a municipal deferral of or exemption in whole or in part from the payment of development charges. The City currently exempts certain areas from development charges under the current Development Charges By-law 2014-151 (see References).

### ***CGS Eligibility Criteria***

Under the Development Charges Rebate Program, municipalities have the flexibility to determine eligible housing developments and units that will receive funding through the program in addition to the amount of rebate and the timing of the rebate.

As discussed above, it is anticipated that the number of units created each year will exceed the amount of funding available under the program. As a result it is

recommended that the CGS establish additional eligibility criteria for the program. The goal of the additional eligibility criteria will be to achieve the land use planning objectives of the City's Official Plan, the Provincial Policy Statement and the Growth Plan for Northern Ontario without being overly onerous on developers in order to realize the program objective of increasing the supply of purpose built market rental housing.

### ***Location Criteria***

The Program requires developments to be consistent with the Provincial Policy Statement and the Growth Plan for Northern Ontario. Both of these policy documents encourage intensification and maximizing the use of existing infrastructure. The City's Official Plan is consistent with these objectives and implements them through a number of policies.

To realize these infill and intensification objectives through the Development Charges Rebate Program it is recommended that eligible properties be located within the City's Built Boundary. The Built Boundary was developed through the Official Plan review process and represents the extent of development in the City as of 2011 (see attached). Units created within the built boundary contribute to infill and intensification.

### ***Urban Design Criteria***

The design of sites and buildings influence the quality, activity, comfort and safety of public realm elements such streets, parks and open spaces. To ensure that the developments seeking to access the Development Charges Rebate Program contribute to these objectives, it is recommended that eligible developments demonstrate that they are consistent with the urban design policies of the City of Greater Sudbury Official Plan. The City is proposing new urban design policies as part of the Phase One Official Plan review process, which would apply to the Development Charge Rebate Program once they come into effect.

### ***Eligible Built Form***

The Development Charges Rebate Program is intended to increase the supply of purpose built rental housing and excludes low density developments such as single detached, semi detached and triplex dwellings. Additionally, the program requires that applicants enter into agreements with the municipality pertaining to maximum rents and the length of time that the units must remain rental. These requirements along with the recommended municipal eligibility requirements can be addressed most effectively through the site plan approval process. The site plan approval process also provides an opportunity for staff to accept applications to the program, consult with applicants early on to advise them of the program requirements and ensure compliance with eligibility requirements by way of a registered site plan agreement.

Based on this, it is recommended that eligible developments under the Development Charges Rebate Program be limited to multiple dwellings more than 4 units, which are subject to the City's Site Plan Control By-law.

Additionally, it is recommended that the Development Charges Rebate Program would only apply to developments that have not received site plan approval as of July 1<sup>st</sup>, 2018.

### **Rebate Timing**

The Development Charges Rebate Program also allows municipalities to determine at what point after the development charges are collected that a rebate would be made available. Currently, development charges are collected by the municipality at building permit issuance. The program parameters specify that municipalities will have up to two years to rebate eligible developments.

To ensure that the program objectives of creating purpose built market rental housing are being realized, it is recommended that development charges be rebated upon completion of the building permit file.

### **Cost Benefit Analysis**

Under the Development Charges Rebate Program, the CGS has been approved to receive total notional funding of \$1,183,180 over five years to provide development charges rebates to eligible market rental developments. Under the proposed criteria, the City would keep the development charges collected at the issuance of building permits and use the funding from the Ministry to rebate the developers upon completion of the building permit file.

Under the program the municipality is responsible for administering the program and providing annual reporting to the Ministry. This includes promoting the program, negotiating with potential applicants, developing and entering into agreements with developers, developing and submitting annual take up plans, issuing rebates, and monitoring. Under the proposed program parameters above, it is expected that these additional administration requirements could be aligned to a great extent with the current SPART and site plan review process. There is, however still an increased level of service that would impact, Planning, Building, Legal and Finance staff. The City has the opportunity to financially offset this impact as outlined below.

Under the Development Charges Rebate Program, municipalities may use up to 5% of their annual funding allocations to cover administration costs provided it is indicated in the annual Take Up Plan. Based on the City's notional allocation, this would amount to

approximately \$12,000 per year that the City could recover for administration under the program. It should be noted however that using the 5% for administration would reduce the number of development charge rebates the City could issue under the program.

## **Communication**

Pending Council direction to execute the Transfer Payment Agreement and commence administering the Development Charge Rebate Program. Staff will develop a communication strategy and procedure to administer the program. This will involve the development of an application form and webpage in addition to presentations to DLAC and the Sudbury & District Home Builders Association to promote the program. Staff will also highlight the program during the SPART process so that any eligibility criteria can be addressed during the site plan review process.

## **Next Steps**

The next steps require the City to enter into a Transfer Payment Agreement with the Province. Municipalities must then develop program parameters and submit a take up plan to the Province. The Province will review and approve the take up plan before processing quarterly payments. The take up plan for 2018-2019 must be submitted to the Province by September 1<sup>st</sup>, 2018.

## **References**

1. Development Charges Rebate Program – Report to Council March 20<sup>th</sup>, 2018  
<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&lang=en&id=1293&itemid=14850>
2. City of Greater Sudbury Outlook for Growth to 2046 – Report to Planning Committee April 9<sup>th</sup>, 2018  
<https://agendasonline.greatersudbury.ca/index.cfm?pg=agenda&action=navigator&lang=en&id=1221&itemid=14853>
3. City of Greater Sudbury Official Plan  
<https://www.greatersudbury.ca/city-hall/reports-studies-policies-and-plans/official-plan/>
4. Provincial Policy Statement, 2014  
<http://www.mah.gov.on.ca/page10679.aspx>

5. Growth Plan for Northern Ontario, 2011  
[https://www.placestogrow.ca/index.php?option=com\\_content&task=view&id=53](https://www.placestogrow.ca/index.php?option=com_content&task=view&id=53)
6. City of Greater Sudbury Development Charges By-law 2014-151  
<https://www.greatersudbury.ca/live/building-and-renovating/development-charges/>