



City of
Peterborough

To: **Members of the General Committee**

From: **W. H. Jackson**
Commissioner of Infrastructure and Planning Services

Meeting Date: **June 25, 2018**

Subject: **Report IPSHD18-005**
Development Charges Rebate Program

Purpose

A report seeking approval from City Council to participate in the Development Charges Rebate Program as provided under the Fair Housing Plan of the Province of Ontario.

Recommendations

That Council approve the recommendations outlined in Report IPSHD18-005 dated June 25, 2018, of the Commissioner of Infrastructure and Planning Services, as follows:

- a) That the City of Peterborough participate in the Development Charges Rebate Program, offered by the Province of Ontario;
- b) That a By-law be passed authorizing the Mayor and Clerk to execute Transfer Payment Agreements with the Ministry of Housing for the Development Charges Rebate Program;
- c) That the Administrative Staff Committee be delegated authority to approve a Take-Up Plan which will identify rental housing developments and units eligible to receive rebate funding; and
- d) That the Mayor and Clerk be authorized to sign any agreements that may be necessary to effect a Take-Up Plan approved under Recommendation c).

Background

The Development Charges Rebate Program is part of the Province of Ontario's Fair Housing Plan. The Fair Housing Plan includes 16 measures intended to improve the housing market for homeowners, renters and developers, and to bring stability to the housing market. The Province is trying to make it easier for renters to find a home by encouraging developers to build more rental units.

In December, 2017, the City of Peterborough was one of 82 municipalities invited to express interest in delivering the Development Charges Rebate Program. Municipalities were selected for participation based on having a high percentage of renters and a low percentage of multi-unit purpose-built rental housing. Staff from the Planning and Housing Divisions collaborated on a submission and received approval for \$1,970,801 from 2018-19 to 2022-23. Twelve other municipalities are receiving funding from the province to provide development charge rebates to developers who want to build rental units. The Minister of Housing's letter dated May 4, 2018 is attached as Appendix A.

Eligibility

The Development Charges Rebate Program cannot be used in place of incentives provided under municipal incentive programs. This means that applications under the Community Improvement Plan for Affordable Housing would not be eligible for funding under the Development Charges Rebate Program.

Municipalities have the flexibility to determine the rental housing developments and units that will receive funding through this program based on local need, but within broad provincial criteria, as follows:

- Developments must be consistent with the Provincial Policy Statement and conform with the Growth Plan;
- Developments must align with other provincial priorities and lead to net new additional public good (i.e. rental housing, family-sized units, senior-friendly units, close to transit and transit hubs);
- Developments and units receiving provincial rebates must remain rental for a minimum of 20 years; and
- Non-luxury rental units, where starting rents do not exceed 175% of Average Market Rent (AMR) as published by Canada Mortgage and Housing Corporation (CMHC) may be included. Municipalities have the ability to set a lower threshold based on local circumstances and housing policies.

Units that are already receiving funding under Investment in Affordable Housing capital programs are not eligible, but where an affordable development includes market units, the rebate could be applied to the market units.

Selection Process for Funding

Staff will develop applications, criteria and an evaluation process for projects. Recommended projects and their scores will be presented to the Administrative Staff Committee for approval. Projects will be evaluated based on the provincial criteria as outlined, as well as those that will address identified needs in the community. This includes housing for seniors, singles and smaller family sizes, projects that promote intensification and proximity to transit and amenities, and those that exceed accessibility and sustainability requirements. While the intent of the program is not necessarily to create below-market units, projects where the developer will include lower-rent units or allocate units to a rent supplement program may be scored higher.

New or revised criteria may be developed as a result of the City's Official Plan Update and the Review of the 10-year Housing and Homelessness Plan for Peterborough.

Needs Assessment

As of October 2017, the vacancy rate in Peterborough was 1.1% overall. For bachelor and apartments with 3 or more bedrooms, the vacancy rate dropped below 1%. Low levels of purpose built market rental development in the past 20 years combined with steep increases to house purchase prices have contributed to very low turnover rates in the rental market. This means that fewer rental units become available for new tenants. Approximately 50% of the existing rental housing in the City of Peterborough is in the secondary market, i.e. non-purpose built apartments/rooms in converted single, semi-detached or row houses. These units are particularly sensitive to the increase in house prices; owners may be motivated to convert from rental to ownership to take advantage of favourable market conditions.

In the City of Peterborough, renters currently make up 25-30% of the population, but purpose-built rental housing has not been developed in the same proportion. From 2000 to 2015, purpose built rental housing development represented an average of only 8% of residential starts.

Alignment with Plans

The City of Peterborough's Official Plan states that residential development will endeavour to make adequate accommodation that integrates a variety of forms and costs of housing. There is a focus on residential intensification to increase the supply of housing. As well, the City commits to ensuring that new subdivision development will provide a variety of housing types and densities.

The 10-year Housing and Homelessness Plan for Peterborough (the Plan) sets a target of 500 new affordable rental units to be developed between 2014 and 2024. While the primary focus of the Plan is to assist low- to moderate-income households, the Plan acknowledges that market housing has an important role to play in providing housing to all income levels. Newly-issued requirements from the Province of Ontario for 10-year Housing and Homelessness Plans emphasizes that Service Managers must identify an

active role for the private sector in providing a mix and range of housing to meet local needs.

Summary

The intent of the Development Charges Rebate Program is to stimulate multi-residential rental projects to be developed in areas where demand for rental units is greater than the supply. Like other incentives, this program is not a complete solution; rather it is a new tool to help meet targets under the Growth Plan and the 10-year Housing and Homelessness Plan.

Submitted by,

W. H. Jackson, P. Eng.
Commissioner of Infrastructure and Planning Services

Contact Names

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Attachment

Appendix A – Minister of Housing's letter dated May 4, 2018



May 4, 2018

Ms. Rebecca Morgan Quin
 Manager, Housing Division
 City of Peterborough
 City Hall
 500 George Street North
 Peterborough ON K9H 3R9

Dear Ms. *Rebecca* Morgan Quin:

Further to last week's announcement by, and letter from, the Honourable Peter Milczyn, the Minister of Housing, I am pleased to provide you with further details about your participation in the Province's Development Charges Rebate Program.

As indicated in Minister Milczyn's letter dated April 27, 2018, the City of Peterborough has been approved to receive a total notional funding of \$1,970,801 over five years under the program. The City of Peterborough's annual notional funding for each of the five years is as indicated below:

Total 5-Year Funding	Year 1 (2018-19)	Year 2 (2019-20)	Year 3 (2020-21)	Year 4 (2021-22)	Year 5 (2022-23)
\$1,970,801	\$401,391	\$377,287	\$396,571	\$401,391	\$394,160

Participation in the Development Charges Rebate Program is subject to the City of Peterborough and the Province entering into a transfer payment agreement. A draft transfer payment agreement template is enclosed for your consideration.

You may wish to make note of the following matters. A Take-Up Plan for 2018-19 will be required to be submitted to the Ministry for approval upon signing of the agreement. The Plan is expected to identify rental housing developments and units eligible to receive rebate funding, provide anticipated timing of collection of the relevant development charges and payment of rebates, and set out forecasted quarterly funding requirements. Approval of the Plan by your Council, or through delegated authority, as appropriate is required. The Plan should be submitted to the Ministry no later than September 1, 2018, to provide sufficient time to commit the notional funding allocated in the current program year (2018-19).

As with all provincial allocations and consistent with government accounting requirements, annual funding allocations under the Development Charges Rebate Program are provided on the basis that any notional funding not committed or spent by the required timelines will need to be returned to the Province.

Further, please also note that your notional funding allocation includes the maximum of 5% in funding that can be used to cover administration costs, if desired. The amount of funding from the 2018-19 funding allocation that will be used towards administration costs must be indicated in the Take-Up Plan.

I appreciate your partnership as we work together to deliver on this important initiative. If you have any questions, please contact Rachel Simeon, Director of the Market Housing Branch at (416) 585-7638 or email: rachel.simeon@ontario.ca.

Sincerely,



Janet Hope
Assistant Deputy Minister

Encls.: Draft transfer payment agreement template
Schedule E – Program Guidelines (updated as of May 2018)

c: Mila Kolokolnikova, Regional Housing Services Team Lead, MSO-Eastern
Sally Samis, Finance Assistant, Housing Division, City of Peterborough