



CITY OF HAMILTON
COMMUNITY AND EMERGENCY SERVICES DEPARTMENT
Housing Services Division

TO:	Chair and Members Emergency & Community Services Committee
COMMITTEE DATE:	February 12, 2018
SUBJECT/REPORT NO:	Development Charge Rebate Program Expression of Interest (CES18011) (City Wide)
WARD(S) AFFECTED:	City Wide
PREPARED BY:	Kirstin Maxwell 905-546-2424 ext. 3846 Greg Witt 905-546-2424 ext. 4818
SUBMITTED BY:	Vicki Woodcox Acting Director, Housing Services Community and Emergency Services Department
SIGNATURE:	

RECOMMENDATION

- (a) That staff be directed to submit an expression of interest to the Minister of Housing indicating the City of Hamilton's interest in participating in the Ontario Development Charges Rebate Program;
- (b) That the General Manager of the Community and Emergency Services Department or his designate be authorized and directed to deliver and administer the Development Charges Rebate Program;
- (c) That the Mayor and City Clerk be authorized and directed to execute the "Service Manager Administration Agreement" for the Development Charges Rebate Program with content acceptable to the General Manager of the Community and Emergency Services Department or his designate and in a form satisfactory to the City Solicitor; and,
- (d) That the General Manager of Community and Emergency Services or his designate be authorized and directed to execute all agreements as may be required to deliver the Development Charges Rebate Program, in a form satisfactory to the City Solicitor.

EXECUTIVE SUMMARY

On January 9, 2018, the Ministry of Housing issued an Expression of Interest (EOI) to invite municipalities to indicate their interest in participating in the Ontario Development Charges Rebate Program. Responses to the EOI are due on March 2, 2018.

The Ontario Development Charges Rebate Program is one of the initiatives under the provincial Fair Housing Plan to increase supply of purpose-built market rental housing in Ontario. Under the program, eligible market rental housing developments would receive a rebate of development charges collected by municipalities. The program would be administered by municipalities and target priority projects in communities that are most in need of new purpose-built rental housing. This program is not intended to be an affordable housing program, but to incent the development of market rental housing.

The program will allocate up to a total of \$125M over five years across the Province, starting with \$25M in 2018 to 2019. Municipalities submitting an EOI are not guaranteed to receive funding through the program. Results of the EOI will be communicated in the spring of 2018, and the funding will be committed for 2018-2019, 2019-2020, and 2020-2021.

Staff are in the process of preparing an EOI to submit to the Ministry of Housing. The work is being led by the Housing Services Division in collaboration with the Planning and Economic Development Department and the Financial Planning, Administration & Policy Division. The elements to be addressed by the EOI are listed in Appendix A to Report CES18011.

The purpose of this report is to:

1. Inform Council of the Ontario Development Charges Rebate Program; and,
2. Obtain Council approval to submit an EOI for the program.

Alternatives for Consideration – Not Applicable

FINANCIAL – STAFFING – LEGAL IMPLICATIONS

Financial: There are no financial implications associated with Report CES18011.

Staffing: If the EOI is successful, additional staff resources would be required to administer the Development Charges Rebate Program. Staff will seek Council approval for any new FTEs. These staff resources would be supported by the administration fees of up to 5% of the program costs provided by the Province.

Legal: There are no legal implications associated with Report CES18011.

HISTORICAL BACKGROUND

On January 9, 2018, the Ministry of Housing issued an Expression of Interest (EOI) to invite municipalities to indicate their interest in participating in the Ontario Development Charges Rebate Program. Responses to the EOI are due on March 2, 2018.

POLICY IMPLICATIONS AND LEGISLATED REQUIREMENTS

The Urban Hamilton Official Plan

Based on targets in the City's Urban Hamilton Official Plan and 10-year Housing & Homelessness Action Plan, 629 new purpose built rental units are needed annually to keep pace with projected growth. This target hasn't been met since it was set.

RELEVANT CONSULTATION

This report was prepared by the Housing Services Division in collaboration with the Planning and Economic Development Department and the Financial Planning, Administration & Policy Division.

Given the tight timeline for submitting a response to the EOI staff will be consulting with the following tables/organizations regarding the EOI submission and proposed program details:

- The Housing and Homelessness Planning Group (January 26, 2018)
- The Housing and Homelessness Advisory Committee (by email due to meeting timing)
- Development Industry Liaison Group

ANALYSIS AND RATIONALE FOR RECOMMENDATION

The Ontario Development Charges Rebate Program is an initiative under the provincial Fair Housing Plan designed to increase supply of purpose-built market rental housing in Ontario. Under the program, eligible market rental housing developments would receive a rebate of development charges collected by municipalities. The program would be administered by municipalities and target priority projects in communities most in need of new purpose-built rental housing. This is not intended to be an affordable housing program, but to incent the development of market rental housing.

The program will allocate up to a total of \$125M over five years across the Province, starting with \$25M in 2018 to 2019. Municipalities submitting an EOI are not guaranteed to receive funding through the program. Results of the EOI will be communicated in the

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**SUBJECT: Development Charge Rebate Program Expression of Interest
(CES18011) (City Wide) - Page 4 of 7**

spring of 2018, and the funding will be committed for 2018-2019, 2019-2020, and 2020-2021.

Municipalities were invited to submit an EOI to the Development Charges Rebate Program based on three qualifying criteria:

- A vacancy rate of 3% or less (Hamilton's latest reported vacancy rate is 2.6%), or
- High tenant population with 20% or more of all households being rental households. (27.4% of Hamilton's households are renters)
- Municipalities with opportunities to approve rental housing developments within an approximate 500-800 metre radius of a major transit station area (MTSA). MTSA includes commuter rail (i.e. GO Transit), subway, light rail or bus rapid transit.

Hamilton qualifies for the program under all of these criteria.

The City currently provides exemptions of municipal and Go Transit development charges and parkland dedication/cash-in-lieu fees for eligible affordable housing projects participating in affordable housing programs as outlined in clause 21 (f) of By-law No. 14-153, clause 17 b) of By-law No. 11-174 and clause 11 (7) of By-law No. 09-

124. However, these exemptions apply only to affordable projects and there are other restrictions.

The Development Charges Rebate Program cannot be used to replace any existing municipal incentives with respect to rental housing supply so could not be used to offset the development charge exemptions for affordable housing noted above.

A Made in Hamilton Development Charges Rebate Program

There are a number of program parameters that have been set by the Ministry of Housing which include the following:

- Projects must be consistent with the Provincial Policy Statement and conform to the Growth Plan
- Projects must align with other provincial priorities and lead to net new additional public good (i.e., rental housing, family-sized units, senior-friendly, close to transit, and transit hubs).

There are several elements of the Development Charges Rebate Program that are to be determined for the local context by municipalities, and will comprise the substance of Hamilton's EOI submission. These include:

**SUBJECT: Development Charge Rebate Program Expression of Interest
(CES18011) (City Wide) - Page 5 of 7**

1. The maximum rent threshold for qualification under the program:
The Ministry of Housing has set a maximum of 175% of average market rent as the upper limit for the program, but municipalities may choose to set a lower rent threshold. The maximum rent threshold is one of the elements staff will be consulting on.

While greater housing affordability is always better as it can serve more vulnerable residents, the economics of rental housing development is such that development charges rebates are insufficient on their own to make the development of rental housing in Hamilton financially viable below a certain rent threshold. A pro forma analysis done for the City in 2016 shows that development charge rebates alone are insufficient to make the development of rental housing rented at 125% of average market rent financially viable. To achieve rents of 125% of average market rent, parkland dedication fee and property tax exemptions would be required in addition to development charge exemptions. For lower rents than 125% of average market rent, substantial capital contributions by the City would be required. Report CES17017 contains additional details on the pro forma analysis.

As additional municipal capital incentives are not being proposed at this time, Hamilton must be cautious about lowering the provincial rent threshold of 175% of average market rent. Reducing the rent threshold too far would risk there

being no rental housing built and no uptake of the Development Charges Rebate Program in Hamilton.

2. Geographical boundaries for the program:
The City can choose where the Development Charges Rebate Program would be available. Financial viability of projects must also be a key consideration for this program element, taking into account relative land costs and projected rents. This element will be a subject for consultation. Potential options include:
 - The entire city
 - Limiting the Development Charges Rebate Program to the nodes and corridors to support land use planning goals
 - Limiting the program to major transit station areas
3. The amount of the development charge rebate under the program:
The Development Charges Rebate Program allows municipalities to determine whether the full amount of development charges are to be rebated or just a portion. Given the financial realities of rental housing development in Hamilton as noted above, the maximum incentive is required to make rental projects financially viable, so staff propose that the full amount of development charges be rebated.

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**SUBJECT: Development Charge Rebate Program Expression of Interest
(CES18011) (City Wide) - Page 6 of 7**

4. The timing of the rebate, though development charges must first be paid:
The timing of the development charge rebate will be a subject for the consultation.
5. The built form of eligible rental housing developments (i.e., high-rises, mid-rises, and/or townhouses):
Single-detached, semi-detached, triplexes and retirement homes are not eligible.
The built form of eligible rental housing developments will be a subject for the consultation.
6. The size of eligible rental units:
The size of eligible rental units will be a subject for the consultation.
7. The period the units must remain rental, though the minimum period for the program is 20 years:
The period the units must remain rental will be a subject for the consultation.

The Province encourages municipalities to provide additional municipal incentives to the Development Charges Rebate Program; however, staff are not proposing that Hamilton provide incentives as part of this EOI submission. Thus, there will be no financial impact on the City of participating in the Ontario Development Charges Rebate Program.

Staff will report back to the Emergency and Community Services Committee on the results of the EOI.

ALTERNATIVES FOR CONSIDERATION

Not Applicable

ALIGNMENT TO THE 2016 – 2025 STRATEGIC PLAN

Community Engagement & Participation

Hamilton has an open, transparent and accessible approach to City government that engages with and empowers all citizens to be involved in their community.

Healthy and Safe Communities

Hamilton is a safe and supportive city where people are active, healthy, and have a high quality of life.

Built Environment and Infrastructure

Hamilton is supported by state of the art infrastructure, transportation options, buildings and public spaces that create a dynamic City.

APPENDICES AND SCHEDULES ATTACHED

Appendix A to Report CES18011: Expression of Interest Submission Outline