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**TO:** GENERAL COMMITTEE

**SUBJECT:** FEE WAIVER AND DEVELOPMENT CHARGE DISCOUNT REQUEST FOR RIVERBANK HOMES

**PREPARED BY AND KEY CONTACT:** E. ARCHER, CMA, GENERAL MANAGER OF COMMUNITY AND CORPORATE SERVICES, x. 4419

**SUBMITTED BY:** E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES 

**GENERAL MANAGER APPROVAL:** E. ARCHER, CMA, GENERAL MANAGER OF CORPORATE SERVICES

**CHIEF ADMINISTRATIVE OFFICER APPROVAL:** CARLA LADD, CHIEF ADMINISTRATIVE OFFICER 

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**RECOMMENDED MOTION**

1. That Staff Report CCS002-13 concerning "Fee Waiver and Development Charge Discount Request For Riverbank Homes", be received for information.

**PURPOSE & BACKGROUND**

2. The purpose of this report is to respond to Motion #13-G-242:
  - "1. That staff in the Finance Department investigate potential funding sources to provide for a grant associated with the Riverbank Homes proposal for:
    - a) A grant in an amount equivalent to 50% of the development charges;
    - b) A grant in an amount equivalent to 100% of the development charges; and
    - c) The deferral of the development charges for a 20 year period at today's rates associated with the Riverbank Homes Ltd. proposal for 32 units of affordable housing (38 apartments in total) at 429 Blake Street and report back to General Committee.
  2. That staff in the Finance Department investigate potential funding sources to provide for a grant in an amount equivalent to the building permit (estimated in the amount of \$19,970) and parkland dedication fees (estimated in the amount of \$22,000) and report back to General Committee."
3. At the September 2013 Finance and Corporate Services Committee meeting, the Committee received a presentation from Rick Jones on behalf of a client, Riverbank Homes Ltd. ("Riverbank"). Mr. Jones requested the City of Barrie provide financial support in the form of fee discounts or deferrals for a pending affordable housing development planned by Riverbank. The development has received federal and provincial funding approval based on a recommendation by the County of Simcoe.
4. Riverbank's project will result in the construction of 38 units located at 429 Blake Street on land that is zoned to accommodate residential use. The funding terms require 32 of these units to remain affordable for a minimum of the next 20 years. For the purposes of the province's funding, "affordable" means 70% of the average market rent. This equates to \$618 per month for a newly built one bedroom apartment.

5. The estimated construction value, based on the building's approximate size of 3280m<sup>2</sup> and a formula provided by the Toronto Area Chief Building Officials Committee, is approximately \$5,248,000. It would require site plan approval. Based on preliminary data regarding unit rents and the related assessment value, annual property taxes from this development would be approximately \$53,052 (2013 rates). These details are subject to change.

## ANALYSIS

### The County of Simcoe's Role

6. Responsibility for delivering affordable housing rests with the County of Simcoe. The City of Barrie provides approximately \$5 million per year to support affordable housing services delivered by the County of Simcoe as the Province's delivery agent. The County has already recommended Riverbank's project and it has received provincial and federal funding approval.
7. Riverbank is receiving provincial subsidies of \$3.8M under the province's IAH program. The County is not providing any additional funding other than the federal and provincial subsidies. Several conditions must be met for Riverbank to receive the funding.

### Other Municipal Roles

8. Other municipalities apply various policies to support the development of affordable housing. Practices vary, but generally the conditions that exist in Barrie via its Community Improvement Areas are consistent with those found in other municipalities:
  - a) Tax increment based grants are available for projects that increase the assessment by at least \$100,000.
  - b) Planning application fee grants are available for site plan control, rezoning, official plans, minor variances and severances. The key criterion for these grants is based on an approved application.
  - c) Cash-in-lieu of parkland grants are available, consisting of a 100% grant in the Downtown Next Wave area and up to 100% in the Allandale area.
  - d) Building permit fee grants are available that are comprised of 25% of building permit fee for the first \$25,000 worth of fees and a 50% grant for any amount above that.
  - e) Demolition and Tipping Fee grants are available for up to 100% of material if disposed in the Barrie landfill site.
9. Across Ontario, some or all of these incentives are available to developers from municipalities in support of affordable housing in their community. Based on staff's analysis of other municipal practices, incentives for affordable housing are generally only available from municipalities that are also the Municipal Service Manager. Otherwise, the development charge exemption in the City Centre Planning Area and incentives offered by Barrie in its Community Improvement Areas are typical of the incentives offered in other municipalities. It is important to note that the planned development is not within a Community Improvement Area.
10. Staff are aware of only the Town of Newmarket and the Town of Markham to offer development charge discounts in support of affordable housing developments, despite the fact that responsibility for affordable housing rests with York Region. For context, Newmarket and Markham both enjoy a relatively stronger financial position than Barrie.

### The City of Barrie's Role

11. The City of Barrie provides funds to the County of Simcoe for affordable housing. Staff are aware of the social benefits that accrue to communities where adequate affordable housing is in place, particularly as they relate to the positive influence on other social and emergency services costs.

The County of Simcoe is responsible for delivering other social services, in addition to its affordable housing responsibilities.

12. The Planning Services Department has been the County's contact point for the City of Barrie on issues related to the new affordable housing funding program. Staff have provided assistance to the County in the provider selection process to help them meet the very tight timelines associated with the funding program's requirements.
13. Staff will work with developers and facilitate plan reviews and permit issuance on an expedited basis. Staff would also influence developments through Site Plan Control. Building design, façade treatments, etc. would be reviewed in detail by staff to ensure Urban Design criteria are being satisfied. Staff would continue working with the County and any successful funding recipients to "fast track" applications through the plan review and permit approval processes. This helps ensure the tight completion deadlines expected by the funding program would be met.
14. The City's Community Improvement Area policies reflect incentives for affordable housing developments that are similar to those found in other municipalities throughout Ontario. Projects outside the Community Improvement Areas would not be eligible for these incentives. Riverbank's project is outside the Community Improvement Area.
15. To further support the development of affordable housing, Council previously approved tax policy changes that made residential and multi-residential tax rates equivalent. This has a marginal, but favorable, impact on property taxes for multi-residential properties.

#### Impact of Support to Affordable Housing Projects Outside the Community Improvement Area

16. During the Finance and Corporate Services Committee meeting some members of the Committee expressed a desire to provide the requested financial support for affordable housing developments. Staff cannot recommend that additional financial support be provided at this time.
17. Each year Council directs staff, through its budget directions for the annual Business Plan, to reduce the reliance on property tax subsidies by increasing the corporation's reliance on non-tax revenues. These include development charges and permit fees. During the Development Charge By-law update approved in 2013, Council maintained the 50% exemption for non-profit institutions when they develop land they own for their own institutional uses and purposes. Discounts or exemptions to support the development of affordable housing projects were not considered at that time.
18. During Council's review of the Long Range Financial Plan in 2012 and during debate about the 2013 Business Plan there was much discussion regarding the level of debt financing that has already been, or will be, incurred to finance the City's core services at levels deemed reasonable by Council. Additional financial support for affordable housing was not considered, and is not currently part of the long range financial plan.
19. It is reasonable to anticipate that, should Council decide it is appropriate to waive or discount development charges for the proposed Riverbank affordable housing development, other developers building outside the Community Improvement Areas would expect similar consideration.
20. For example, as described in Motion 10-G-343 (August 30, 2010), Council denied a request from Stanley Heights Development to defer 50% of the applicable development charges for a period of 10 years for affordable housing residential development proposals. This matter was discussed in ENG027-10.

21. Based on preliminary data, the proposed Riverbank development would result in development charges of approximately \$495,900. Related permit fees would be approximately \$52,000. Based on the options staff were directed to analyze by Motion 13-G-242, the cost to the City of providing the requested subsidy would be approximately:
- a) \$362,000 if a grant equivalent to 50% of the development charges was provided
  - b) \$725,000 if a grant equivalent to 100% of the development charges was provided
  - c) \$192,500 if development charges for the 32 units of affordable housing were deferred for 20 years, based on an estimated 20-year debenture rate of 3.99%

Amounts in a) and b) include interest charges of \$114,000 and \$228,600 respectively to reflect the interest cost on the debt that would be incurred to replace the foregone development charge revenue.

22. Municipal taxes are generally understood to be raised for "municipal purposes" and each Council decides, within parameters set by provincial legislation, what the appropriate municipal purposes should be. Typically, such decisions about services and service levels are made during annual budget deliberations. The results of these decisions lead to the provision of services that have a regular and direct impact on residents' quality of life. The City of Barrie supports affordable housing related initiatives through its funding of the County of Simcoe, the service partner responsible for the delivery of social housing.
23. Responding to each request for financial support on an ad hoc basis increases the risk that funds which are otherwise required for providing the City's core programs and services will not be as available as residents would expect, considering the taxes they pay. Not only could this impair the City's sustainability and erode the City's financial condition, but it could also contribute to residents' perceptions that they are not receiving value for money from their local government.

### **ENVIRONMENTAL MATTERS**

24. There are no environmental matters related to the recommendation.

### **ALTERNATIVES**

25. There are three alternatives available for consideration by General Committee:

#### **Alternative #1**

General Committee could elect to provide a discount on development charges and/or fee waivers to the proposed Riverbank development.

This alternative is not recommended because affordable housing is the County of Simcoe's responsibility and the City of Barrie already provides approximately \$5 million annually to support its work. Notwithstanding the valuable social benefits attributable to ensuring adequate affordable housing exists in a community, providing discounts or fee waivers is not consistent with a prior Council decision regarding a similar request and inconsistent with budget directions to increase reliance on non-tax revenues. It is staff's understanding that the project will proceed with or without additional financial support from the City of Barrie.

Significant financial pressures exist to sustain existing programs and services that are the City of Barrie's sole responsibility to provide. Providing financial support to a service that is not the City's direct responsibility erodes the integrity of the City's policies and introduces inequities into the City's processes.

**Alternative #2**

General Committee could re-open the City Wide Development Charges By-law 2008-111 and include additional provisions for affordable housing developments.

This alternative is not recommended due to the negative impact that further discounts and exemptions would have on the City's financial condition. As outlined in Report ENG033-13, "Growth Management Update: Infrastructure Planning for Affordable Growth", presented to General Committee November 20, 2013, projected financing requirements for forecast infrastructure servicing projects are significant and require new financing policies that strengthen the corporation's ability to adequately fund these needs.

**Alternative #3**

General Committee could direct the inclusion of financial incentives in an affordable housing policy currently under development by the Planning Department, using exemptions and/or fee waivers granted to Riverbank as an example of the incentives to be established in the policy.

The Planning Department is currently conducting research into affordable housing policy options. Staff do not recommend the creation of a precedent or predetermining how much municipal funding should be directed to affordable housing services outside the annual business planning process, which provides context about the variety of other service level and funding choices Council needs to consider.

**FINANCIAL**

26. As this report is being presented for information purposes, there are no financial implications associated with the recommendation.
27. If General Committee elected to approve Alternative #1, an available funding source could be the Tax Rate Stabilization Reserve.

**LINKAGE TO COUNCIL STRATEGIC PRIORITIES**

28. The recommendation included in this Staff Report is not specifically related to any of City Council's Strategic Priorities.