
TO: GENERAL COMMITTEE

SUBJECT: AFFORDABLE HOUSING DEVELOPMENT PROPOSAL, 59 ARCH BROWN COURT, DEFERRAL OF DEVELOPMENT CHARGES

PREPARED BY AND KEY CONTACT: D. A. CASPICK, C.E.T. *DA*
MANAGER OF DEVELOPMENT, POLICY AND STANDARDS (Ext. 4448)
D. McKINNON, CGA *McKinnon*
DIRECTOR OF FINANCE (Ext. 5130)

SUBMITTED BY: R. W. MCARTHUR, P. Eng. *R. W. McArthur*
DIRECTOR OF ENGINEERING

GENERAL MANAGER APPROVAL: R. J. FORWARD, MBA, M.Sc., P. Eng. *R. J. Forward*
GENERAL MANAGER OF INFRASTRUCTURE, DEVELOPMENT & CULTURE

CHIEF ADMINISTRATIVE OFFICER APPROVAL: JON M. BABULIC *J. M. Babulic*
CHIEF ADMINISTRATIVE OFFICER

RECOMMENDED MOTION

1. That Council deny the request from Stanley Heights Development to defer 50% of the applicable development charges for a period of ten (10) years for affordable housing residential development proposals including the development at 59 Arch Brown Court.

PURPOSE & BACKGROUND

2. The purpose of this report is to provide Council with information pertaining to deferral of development charges for affordable housing projects as outlined within Motion 10-G-043 (see Appendix "A").
3. Stanley Heights Plan of Subdivision (attached drawing) was registered on February 26, 2007, (Plan 51M-871).
4. As part of that Plan Block 19 was approved for future multi-residential development. Currently Block 19 is an approved registered site plan consisting of 31 units, at an estimated value of \$4,800,000.; the estimated property taxes are \$50,000..
5. "Affordable housing" is defined as rent that is at or below 80% of the average market rent as set out by the Canada Mortgage and Housing Corporation for all units, and where household incomes cannot exceed the amount by which a household would spend less than 30% of gross household income on rent.
6. Stanley Heights Development (Mr. Manny Brykman) has received funding approval (Provincial/Federal) to develop Block 19 through the Federal/Provincial affordable housing program.
7. Mr. Brykman has requested of the City that consideration be given to a deferral of payment of fifty (50) percent of applicable development charges for a period of ten (10) years to help offset his costs.

8. Council have previously dealt with a similar request from the Jones Consulting Group on behalf of their client, Mahogany Management (see Appendix "A" for Motion 09-G-367). Notwithstanding Council's approval of this request, staff did not support the developer request based on the financial impact of the decision and the potential for setting a precedent. This project did not move forward, and as such even though it was approved, the deferral was never provided.

ANALYSIS

The County of Simcoe's Role

9. Responsibility for affordable housing rests with the County of Simcoe. The City of Barrie provided \$4,941,000 in 2010 to support affordable housing services delivered by the County of Simcoe as the Province's delivery agent. The County facilitated applications for Wave 3 federal/provincial affordable housing funding. Projects that it recommended to the Ministry of Municipal Affairs and Housing ("MMAH") were considered for funding. Where projects are funded, the developer enters into a contribution agreement with the County and MMAH.
10. Property taxes for projects that receive Affordable Housing Program (AHP) must be at or below the residential rate, or within a range of fairness deemed appropriate by MMAH. If multi-residential tax rates are outside the range of fairness, an equivalent contribution from the County must be in place for the 20-year affordability period of the projects. During the affordability period, rents are subject to prescribed upper limits and restrictions on rent increases apply. The City of Barrie's multi-residential tax rate is already within the range of fairness applicable to this program, therefore no adjustment is required.

Other Municipal Roles

11. 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. For example, while not specifically geared to affordable housing, development charge exemptions were available in the City Centre Planning Area until June 2010. Within a Community Improvement Area:
 - 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.
12. 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.

13. Only the Town of Newmarket and the Town of Markham have offered development charge discounts to support affordable housing developments, despite the fact that responsibility for affordable housing rests with York Region. For context, Newmarket and Markham both appear to enjoy a relatively stronger financial position than Barrie, as the following table illustrates:

Indicator*	Barrie	Newmarket	Markham
2009 Taxable Assessment per Capita	\$98,211	\$116,176	\$140,100
2009 Levy per Capita	\$1,098	\$1,030	\$1,061
2008 Reserves as a % of Total Taxation, excluding water/wastewater	72.9%	68.9%	108.6%

* Source: 2009 BMA Municipal Study

The City of Barrie's Role

14. The City of Barrie is not responsible 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.
15. 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. The Brykman development is not within a Community Improvement Area.
16. To further support the development of affordable housing, the multi-residential tax rate was moved 25% closer to the residential tax rate (1.078700 in 2009 to 1.059025 in 2010). It has also been recommended that the multi-residential rate continue to move closer to the residential tax rate in 25% increments until the two rates are equivalent. Making the two rates equivalent would have a marginal, but favorable, impact on property taxes for multi-residential properties.
17. Municipal taxes are generally understood to be raised for "municipal purposes". Each Council decides, within parameters set by provincial legislation, what the appropriate municipal purposes should be – the services, service levels and quality levels provided by the local government. Typically, such decisions 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.
18. 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.

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

19. In 2008, the City Wide Development Charges by-law was updated. The exemptions included in the by-law reduce development charges revenues by \$35.7 million compared to what would have been received at full rates. While determining these exemptions, Council also approved a 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.

59 Arch Brown Request

20. The registered Brykman development has paid development charges of \$490,919.. If the development attracts the maximum subsidy available from the AHP, Brykman would receive approximately \$3,720,000. in grants from the federal and provincial government to support this development. Considering the proposed features of the development and their fit with the AHP funding criteria, staff believe it is reasonable to expect Brykman's development proposal would attract the maximum subsidy.

ENVIRONMENTAL MATTERS

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

ALTERNATIVES

22. The following Alternatives are available for consideration by General Committee:

Alternative #1

General Committee could approve the request to defer 50% of the applicable development charges for a period of ten (10) years

This alternative is not recommended because affordable housing is the County of Simcoe's responsibility. Notwithstanding the valuable social benefits attributable to ensuring adequate affordable housing exists in a community, the City of Barrie is not in a position to support the County in executing its responsibilities beyond what is available from current development and tax policies. The federal and provincial governments are offering significantly higher subsidies in this wave of AHP funding compared to prior periods. Brykman's proposal appears to reflect features and benefits that could attract the maximum available subsidy of \$3,720,000.. The project is proceeding 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 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. Updating the by-law would also still require all of the provisions of the Development Charges Act to be met which includes a revised Background DC Study, Public Hearings and various notice requirements. The resources required for this work are not planned to be included in workplans or Business Plans until 2013. The required background study and public meetings could not be completed in a timeframe that would address this application process.

FINANCIAL

23. When Council approved the Long Range Financial Plan in April of 2009, 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.
24. The development of the long range financial plan clearly indicated the need to minimize the use of fee discounts and exemptions, with the objective of reducing the burden on property taxes. It is reasonable to anticipate that, should Council decide it is appropriate to waive, discount or defer development charges for this affordable housing development, other developers building affordable housing projects outside the Community Improvement Areas would expect similar consideration.
25. The developer has already paid the development charges in the sum of \$490,919. Discounted at 50%, would represent \$245,460.

LINKAGE TO COUNCIL STRATEGIC PRIORITIES

26. The recommendation included in this Staff Report support the following City Council's Strategic Priority:
 - ☒ Ensure a Balanced Approach to Growth Management

APPENDIX “A”

Council Motions

10-G-043 INVESTIGATION OF THE DEFERRAL OF DEVELOPMENT CHARGES FOR AFFORDABLE HOUSING PROJECTS

That staff in the Engineering and Finance Departments investigate the feasibility of deferring 50% of the applicable development charges for a period of 10 years for residential development proposals including the development at 59 Arch Brown Court, which meet the criteria of affordable housing projects and report back to General Committee. (Item for Discussion 6.2, February 8, 2010) (File: F00)

09-G-367 SUPPORT FOR AFFORDABLE HOUSING

That a deferral of 50% of the applicable development charges be provided, for a 10 year period, for the proposed Mahogany affordable housing development project located at Madelaine Drive and Dean Avenue should the project be accepted under the new rental housing component of the Canada-Ontario Affordable Housing Program. (CRP005-09) (09-CSC-061) (File: F00)

Amended as follows:

09-A-405 Moved by: Councillor, B. Ward
Seconded by: Councillor, L. Strachan

That General Committee Report No. 35, Section "D", (APPENDIX "A") now circulated be adopted.

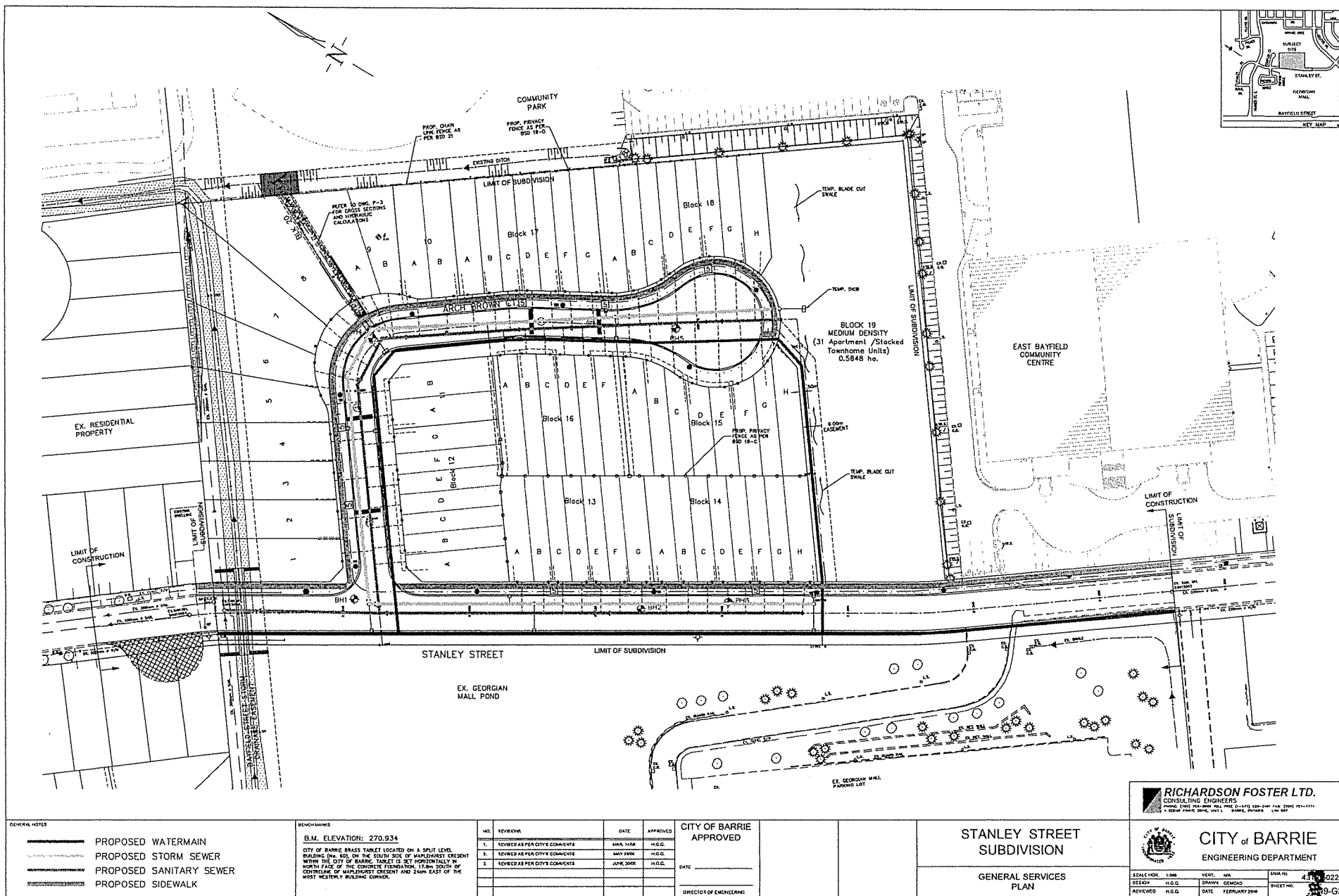
AMENDMENT #1

Moved by: Councillor M. Prowse
Seconded by: Councillor A. Nuttall

That motion 09-G-367 of General Committee Report No. 35, Section "D" concerning Support for Affordable Housing be amended by adding a second paragraph as follows:

- "2. That Mahogany Management be required to provide a letter of credit to secure the funds associated with the deferred Development Charges."

CARRIED



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