

2017

# Development Charges Rebate Program

## Program Guidelines

Ontario Ministry of Housing  
December 2017





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## Introduction

It is a provincial interest to have an appropriate mix and range of housing options, including purpose-built rental housing that caters to diverse needs of all ages and incomes.

There are two types of rental housing in Ontario: purpose-built rental housing (which includes market rentals, and social or affordable housing) and the secondary rental market (consisting primarily of individually rented condominiums, singles/semis and basement apartments).

While the secondary rental market is an important part of the overall rental stock, these units may be available in the rental pool one year and not the next. The availability of units in the secondary rental market in any community depends on the owner's decision, which is affected by prevailing economic and real estate conditions, among other factors.

There are many advantages in increasing the supply of purpose-built market rental housing, as it:

- Addresses the need for stable rental housing and better security of tenure for tenants with diverse needs, compared to individually rented homes and condos.
- Caters to older demographics within communities, by offering options for seniors looking to downsize, while enabling them to stay in their communities and age in place.
- Supports and aligns with provincial priorities and goals with respect to growth planning, intensification and the need for more missing middle housing.
- Attracts and retains skilled workers to Ontario and high growth urban areas.
- Increases the province's economic competitiveness and allows for increased mobility of residents, both geographically and within the housing market.

## Fair Housing Plan and Development Charges Rebate Program

On April 20, 2017, the government announced its Fair Housing Plan, a comprehensive package of 16 measures to improve housing affordability, address demand, protect renters and buyers, increase the supply of housing, and improve information sharing.

The Development Charges Rebate Program (the "Program") is one of the measures to increase supply of housing, specifically purpose-built market rental development. The Program provides rebates for development charges and aims to reduce the construction costs of building market rental housing, particularly in those communities that are most in need of new purpose-built rental housing.

The Program is in addition to two other initiatives aimed at increasing the supply of purpose-built rental housing:

- A mandatory new multi-residential property tax class, which ensures that municipalities tax new rental apartments at a similar rate as other residential properties. The mandatory new multi-residential property tax class applies to all new rental housing for

which building permits have been issued on or after April 20, 2017.

- A Provincial Affordable Housing Lands Program that leverages surplus provincial land to develop a mix of market housing and new, sustainable affordable housing. Four sites in Toronto have been already announced under the program.

## **Program Funding**

Under the Program, up to a total of \$125 million over five years is available as rebates for development charges, starting with 2018-19. Notional allocations for fiscal years 2018-19, 2019-20, and 2020-21 (\$25 million each year for a total of \$75 million) will be announced in spring 2018 in accordance with provincial accounting and budgetary practices.

Program funding, if approved, will be provided according to the terms and conditions of a Transfer Payment Agreement (TPA) between the Province and the municipality.

### **Funding for Program Administration**

Participating municipalities or their designates such as their Service Managers that administer the program may use up to 5% of allocations to cover administration costs, if needed, as indicated in a municipal take-up plan.

## **Scope of the Guidelines**

The Program Guidelines describe the various program requirements for the Program, including the role of municipalities, long-term affordability requirements for rental developments receiving provincial rebates, rental housing developments and units eligible to receive funding under the program, and accountability and reporting requirements.

Please note that the Program Guidelines may be updated on an as-needed basis and changes will be communicated to municipalities.

## **Municipal Contribution**

There are no requirements for municipalities to contribute to the Program. However, municipalities are encouraged to consider providing municipal incentives, where possible, to purpose-built market rental developments eligible to receive provincial rebates under the program.

The Program cannot be used by municipalities to replace any existing housing programs and incentives that municipalities may already have with respect to affordable (below-market) rental housing. For greater clarity, this Program cannot be used by municipalities to replace or

support a municipal program or any municipal decision relating to deferrals or rebates or exemptions of development charges.

## **Role of Municipalities**

Participating municipalities will administer the Program based on local need, changing rental market conditions, and demand for rental housing in their community.

Under the Program, municipalities have the flexibility to determine:

- The built-form of rental housing developments eligible to receive a development charges rebate (e.g., high-rises, mid-rises, town homes), based on local housing need;
- Unit size configurations in the development, based on local need;
- The amount of development charges rebate provided for eligible rental housing developments and units (e.g., full or partial rebates); and
- The timing of the rebate (e.g., at what point after the development charges are collected would a rebate be made available), within program parameters.

As program administrator, a municipality will:

- Enter into a TPA with the Ministry of Housing (MHO);
- Administer the Program in compliance with the TPA and the Program Guidelines;
- Plan activities related to program delivery, which may include assessing local housing needs and planning processes;
- Identify rental housing developments and units eligible to receive a rebate under the program;
- Determine the amount rebates on a project by project basis;
- Determine key milestones for payment of the rebate;
- Develop and enter into required 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 MHO, as indicated in the TPA; and
- Monitor progress and provide annual reports to MHO, as indicated in the TPA.

In administering the Program, municipalities are encouraged to work with their housing Service Manager and/or the upper-tier municipality (in case of a two-tier system) to ensure alignment with local planning and housing policies, and coordinate municipal incentives, if provided.

Municipalities have an option to designate their housing Service Manager as the administrator of the Program, and also submit an EOI on their behalf.

If a municipal council designates the housing Service Manager as the program administrator:

- The municipality must submit a copy of the municipal council's decision designating the housing Service Manager as program administrator, directing the Service Manager to submit an EOI to MHO, and authorizing the Service Manager to enter into a Transfer Payment Agreement with MHO on the municipality's behalf.
- The housing Service Manager must provide written confirmation from a person of appropriate authority of its willingness to act as program administrator.

In such cases, the Service Manager should work with the designating lower or single-tier municipality in determining rental housing developments and units that are eligible to receive rebate funding under the program, planning approval timelines, and any municipal incentives that may be available.

## **Rental Housing Developments and Units Eligible to Receive Provincial Rebate Funding**

Under the 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 program criteria:

- Developments must be consistent with the PPS and conform with the [Growth Plan](#);
- Developments must align with other provincial priorities and lead to net new additional 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;
- Non-luxury rental units, where starting rents do not exceed 175% of AMR as published by Canada Mortgage and Housing Corporation (CMHC). Municipalities have the ability to set a lower threshold based on local circumstances and housing policies.

The following types of developments and units are not eligible under the Program:

- Single and semi-detached homes, duplexes/triplexes, and retirement homes;
- Units already receiving provincial capital subsidies under housing supply programs (e.g., under IAH – Rental Component);
- Luxury market rental units, where starting rents exceed 175% of Average Market Rents, as published by CMHC; and
- Market rental developments receiving a deferral of or exemption from the payment of development charges.

## Starting Rents and Long-Term Affordability Criteria

Proposed starting market rents for developments or units receiving development charges rebates cannot exceed 175% of Average Market Rents (AMRs), as published by CMHC, for a given year. In cases, where CMHC does not publish AMRs, municipalities should use AMRs based on local evidence and research (e.g., survey of market rents in the community or municipality), and inform the Ministry of Housing (MHO) accordingly.

Municipalities have the flexibility to target rebates for proposed market rental housing developments or units with starting rents at a percentage of AMR lower than 175%, without any further provincial restrictions. Municipalities also have the flexibility to use AMRs as the neighbourhood level, if available from CMHC.

There are no long-term affordability requirements for units receiving provincial rebates under the program beyond the threshold for starting market rents, subject to the provisions under the Residential Tenancies Act, 2006.

## Stacking With Other Housing Supply Programs

Stacking or combining rebate funding under the Program with MHO's other housing supply programs is permitted only if some additional public good is created (e.g., construction of market-rent family-sized units or have market rental units that were not previously planned).

### Examples of Stacking

To illustrate potential developments eligible under the program, please see the following examples:

Example #1	Eligibility
The developer would like to add six market rental units to an affordable rental housing development already approved to receive provincial funding under Investment in Affordable Housing – Rental Component to create a mixed-income rental development. Starting rents are at 150% AMR.	Yes. The six market rental units are not receiving provincial funding under Investment in Affordable Housing would be eligible to receive the development charge rebate under the program.
Example #2	Eligibility
The developer would like to add five market rental units to an affordable rental housing development already approved to receive provincial funding under Investment in Affordable Housing – Rental Component to create a mixed-income rental development. Starting rents are at 185% AMR.	No. The five units would not be eligible as they would be considered luxury units as they exceed this programs threshold of 175% of AMR.



## **Program Accountability and Reporting**

Accountability for provincial actions, decisions, and policies with regard to the use of public funds for programs and services is important. The Province has an obligation to demonstrate value for money, and to ensure that funds have been spent appropriately and in a timely manner.

### **Transfer Payment Agreement (TPA)**

The TPA sets out an accountability requirements between the Province (through MHO) and the municipality, and outlines the roles and responsibilities of both parties, as required by the Province's Transfer Payment Accountability Directive.

In case a housing Service Manager has been designated as program administrator, the Province would enter into a TPA with the Service Manager subject to council's authorization.

The TPA will require the municipality to develop formal contribution agreements with any developers who receive provincial rebates for the purpose of meeting program objectives and/or addressing obligations.

### **Bi-annual Take-up Plans**

Based on their notional allocations, participating municipalities will be required to submit a take-up plan in the first quarter of each fiscal year for all years in the program to MHO for approvals.

The take-up plan for a particular fiscal year will be informed by rental housing developments that have come forward for planning approvals and meet program eligibility criteria. A municipality's take-up plan should:

- Provide details of the proposed market rental housing developments and units that meet program and eligibility criteria as laid out in the Program Guidelines;
- Indicate if municipality has set an AMR threshold for non-luxury market rental units that is lower than from provincial threshold of 175% AMR, and what that threshold would be;
- Indicate timing of when the rebate would flow towards the eligible market rental developments after the collection of the development charges;
- Indicate how much of the fiscal year's notional allocation the municipality would need on a quarterly basis, to facilitate transfer of provincial rebates from MHO to municipality;
- Indicate timelines around expected planning approvals and issuance of building permits for the proposed market rental developments specified in the plan;
- Indicate details of any municipal incentives provided; and
- Identify legal mechanisms that would keep proposed developments and units as rental for a minimum of 20 years.

The Province recognizes that the planning approval processes around market rental housing developments can sometimes take few years before a building permit is issued. To accommodate for any delays in the planning approval processes for developments and units proposed in the initial take-up plans, municipalities will have two years to rebate eligible developments. The two years start at the beginning of each fiscal year, when municipalities receive MHO approval on their initial (first quarter) spending plans. For example, for allocations made in fiscal year 2018-19, municipalities will have up until March 31, 2020 to make the rebates.

## **Payment Process and Schedule**

### **Payment Process**

The Ministry will advance funding directly to municipalities (or designated Service Managers), who will be responsible for rebating development charges for eligible developments and units. Municipalities (or designated housing Service Managers) will provide rebates for eligible developments based on a schedule as determined by the municipality, and in compliance with the program requirements.

### **Payment Schedule**

MHO will provide quarterly funding to municipalities, based on MHO approved first quarter take-up plans.

### **Recovery and Reconciliations**

MHO will also undertake reconciliations through adjusted municipal take-up plans submitted every six months to assess if the provincial rebates are being provided in accordance with program criteria and initial first quarter take-up plan.

If a municipality reports back that it is unable to rebate its allocation for that fiscal year, MHO would either reconcile unspent funding or re-allocate the funding to another municipality. Reallocation would be based on capacity of other municipalities to rebate development charges as reflected in their take-up plans. This would be determined through discussions between MHO and municipalities around proposed rental developments and units that would be eligible to receive provincial development charges rebates, and anticipated timelines these developments/units would be in a position to receive a building permit and make development charges payments within the given time frames.

### **Indemnification and Repayment**

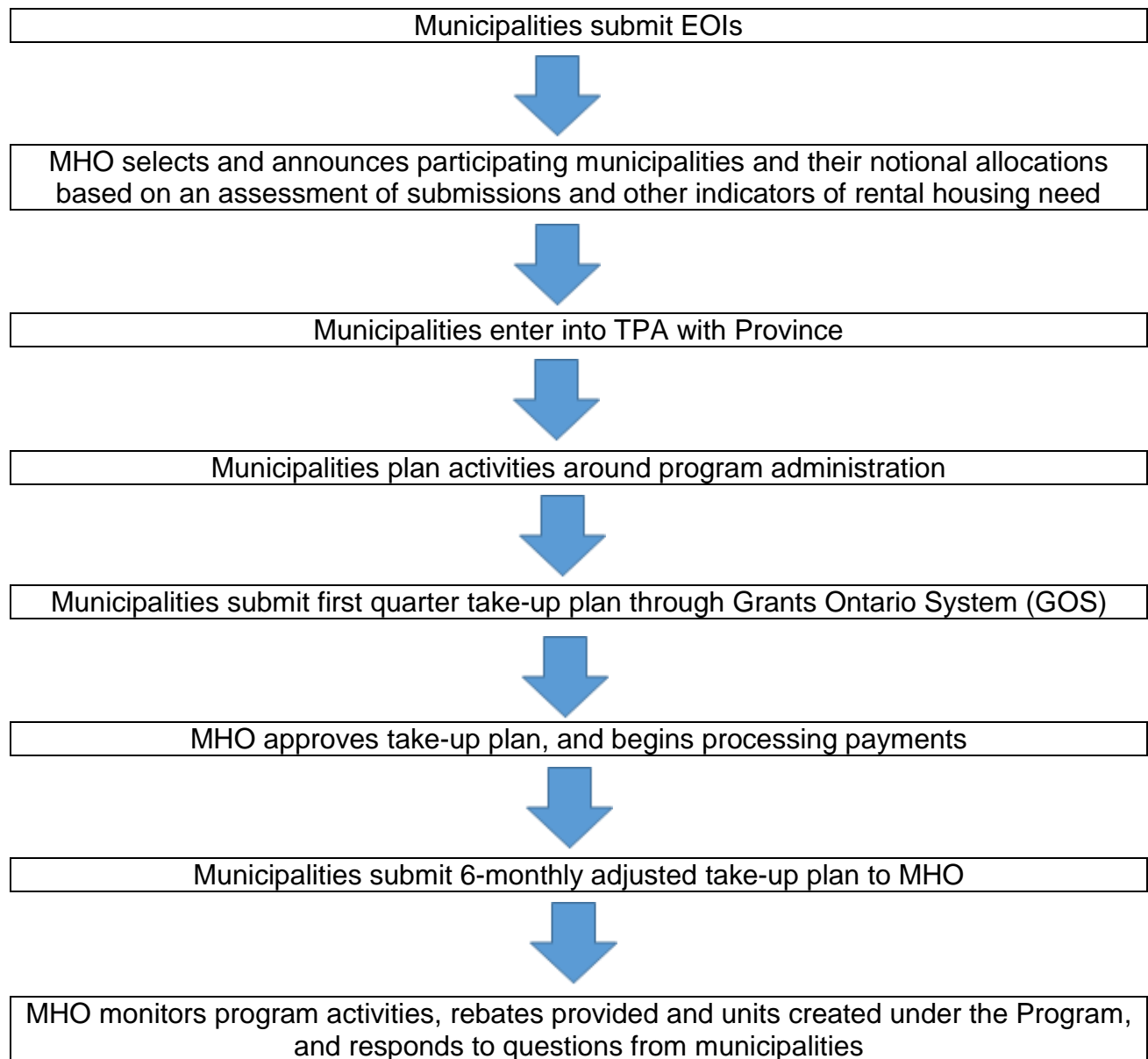
There are obligations for all Program recipients with regard to the indemnification and recovery of provincial government funding. The TPAs will contain specific obligations and provisions relating to indemnification and recovery of provincial funding.

## Other Reporting Requirements

Through their adjusted spending plans, municipalities will report back on a bi-annual basis on the following:

- Adjusted forecasted and actual rebates made to date;
- Details of the developments receiving rebates (address of site, total number of units in the development, if there are units in the development receiving capital subsidies through another provincial program such as IAH);
- Total and per unit provincial rebates provided to eligible developments or units on a site-by-site basis (until fully transferred);
- Details of any municipal incentives provided to the eligible developments or units on a site-by-site basis;
- Total number of market rental units receiving rebates by bedroom type and unit size;
- Expected or actual starting market rents by bedroom type and comparison against AMR threshold; and
- Expected or actual occupancy date for the development/units.

## Appendix A: Program Implementation Flow Chart



## Appendix B: Ministry of Housing Contacts

### Municipal Services Office – Central

777 Bay Street 13<sup>th</sup> Floor  
 Toronto, ON, M5G 2E5  
 General Inquiry: 416-585-6226  
 Toll Free: 1-800-668-0230  
 Fax: 416-585-6882

Contact: Ian Russell, Team Lead, Regional Housing Services  
 Tel: 416-585-6965  
 Email: [ian.russell@ontario.ca](mailto:ian.russell@ontario.ca)  
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### Municipal Services Office – Eastern

8 Estate Lane, Rockwood House  
 Kingston, ON, K7M 9A8  
 General Inquiry: 613-545-2100  
 Toll Free: 1-800-267-9438  
 Fax: 613-548-6822

Contact: Mila Kolokolnikova, Team Lead, Regional Housing Services  
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 London, ON, N6E 1L3  
 General Inquiry: 519-873-4020  
 Toll Free: 1-800-265-4736  
 Fax: 519-873-4018

Contact: Pearl Dougall, Senior Housing Advisor,  
 Tel: 519-873-4521  
 Email: [pearl.dougall@ontario.ca](mailto:pearl.dougall@ontario.ca)  
  
 Cynthia Cabral, Senior Housing Advisor,  
 Tel: 519-873-4520  
 Email: [cynthia.cabral@ontario.ca](mailto:cynthia.cabral@ontario.ca)

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Sudbury, ON, P3E 6A5  
General Inquiry: 705-564-0120  
Toll Free: 1-800-461-1193  
Fax: 705-564-6863

Contact: Cindy Couillard, Team Lead, Regional Housing Services  
Tel: 705-564-6808  
Email: [cindy.couillard@ontario.ca](mailto:cindy.couillard@ontario.ca)

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Toll Free: 1-800-465-5027  
Fax: 807-475-1196

Contact: Peter Boban, Team Lead, Regional Housing Services  
Tel: 807-473-3017  
Email: [peter.boban@ontario.ca](mailto:peter.boban@ontario.ca)

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**Housing Programs Branch - Toronto**

777 Bay Street, 14<sup>th</sup> Floor  
Toronto, ON, M5G 2E5  
Fax: 416-585-7003

Contact: Walter Battello, Account Manager, Regional Services Delivery Unit  
Tel: 416-585-6480  
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