

Report PDR-PCD-24-15

To: Chair Wright and Members of the Planning and Community Development Committee

From: Randy Scherzer, Director of Planning
Kevin Wepler, Director of Finance
Anne Marie Shaw, Director of Housing

Meeting Date: May 19, 2015

Subject: **Development Charges Grant In-Lieu Criteria and Development Charges Deferrals**

Status: Recommendation adopted by Committee as amended per Resolution PCD75-15; Endorsed by County Council June 2, 2015 per Resolution CC81-15;

Recommendation(s)

WHEREAS Council approved a \$50,000 Development Charges Grant-in-lieu fund as part of the 2015 budget to support affordable housing development in Grey County;

AND WHEREAS staff were directed to develop criteria that would be used to assess applications/expressions of interest for those applying for the development charges grant-in-lieu;

AND WHEREAS staff were also directed to prepare a development charges deferral program for Council's consideration which would outline when the deferral of development charges would be considered;

AND WHEREAS Council has approved a 10 year Housing and Homelessness Plan which identifies that there is a need for affordable, safe, accessible, well maintained housing and identifies various strategies to address this need;

NOW THEREFORE BE IT RESOLVED THAT Report PDR-PCD-24-15 be received;

AND THAT based on the legal opinion received that staff be directed to prepare a policy and procedure to implement a Development Charges Grant-in-Lieu and Deferral Program using the criteria identified in Report PDR-PCD-24-15 with the Development Charges Grant-in-Lieu Program formerly commencing in 2016

which would be linked with the Investment in Affordable Housing application intake;

AND THAT the development charges grant-in-lieu fund in the 2015 budget be carried over into the 2016 budget.

Background

As part of the 2015 budget, Council approved a \$50,000 Development Charges Grant-in-Lieu fund to support and encourage affordable housing development throughout Grey County. The fund for 2015 is being funded from the One Time Reserve. The impetus for the development charges grant-in-lieu fund came about following a deputation from Habitat for Humanity Grey Bruce which identified some of the affordable housing projects they had completed and discussed some of the challenges in keeping their costs low, including payment of development charges. Based on the concerns raised, staff were directed to prepare a report to consider providing a grant-in-lieu for affordable housing projects (see link to report below in Attachments section). Council endorsed the recommendation as originally presented which indicated that a \$50,000 development charges grant-in-lieu fund be considered as part of the 2015 budget to establish a development charges grant-in-lieu program whereby twice a year applications or expressions of interest would be received from affordable housing developers.

Council also directed staff to explore opportunities for providing relief or a rebate of planning application fees for affordable housing developments as part of a comprehensive review of planning application fees. The review of planning application fees is scheduled for later this year and relief/rebate considerations will be considered at that time.

In addition to the grant-in-lieu program, Council recently approved a development charges deferral agreement for a proposed affordable housing development in the City of Owen Sound based on a request received from a developer. As part of the approval of the development charges deferral request, Council directed staff to prepare a development charges deferral program for Council's consideration which would outline when the deferral of development charges would be considered for certain types of development on a go forward basis (see link below to a report on this matter in the Attachments section). Staff felt that both the development charges grant-in-lieu program and the deferral program can be linked together to provide a comprehensive development charges program that would support and encourage affordable housing development.

Prior to preparing a policy/program, staff sought a legal opinion to ensure that a development charges grant-in-lieu program could be offered based on the County's existing Development Charges By-law. After consulting with legal, the County Solicitor indicated that in order to offer the development charges grant-in-lieu program, the County's Development Charges By-laws would need to be revised. In order to revise the Development Charges By-laws, an updated Development Charges Background Study would need to be completed in accordance with the Development Charges Act. The development charges background study and by-laws are scheduled to be reviewed in 2016. Based on the legal opinion, a grant-in-lieu of development charges could only be provided once the development charges by-laws have been updated. One option that Council could consider, is to accept applications/expressions of interest in 2015 for those wanting to receive grant-in-lieu applications and if the development qualifies, a development charges deferral agreement could be entered into between the organization/developer which would include provisions indicating that should the development charges by-laws be revised to allow the grant-in-lieu that a development charge would not apply.

After discussing the grant-in-lieu program with the Housing Department, staff recommend that the grant-in-lieu funds be carried over to the 2016 budget and that the program be linked with the application intake for the Investment in Affordable Housing (IAH) program so that organizations/developers proposing to construct new affordable rental housing would only need to submit one application. It is anticipated that the IAH request for proposals will be released in January 2016 and therefore the timing of the two programs would better align in 2016. If the development receives IAH funding, it is recommended that a deferral agreement would not be required if the development will commence after the development charges by-law has been revised which is anticipated to be later in 2016. Applications for the DC Grant-in-lieu fund would also be accepted for organizations/developers proposed to construct new affordable home ownership units. Should an organization/developer wish to proceed with construction in 2016 prior to the development charges by-laws being revised, it is recommended that the organization/developer enter into a development charges deferral agreement which would include clauses described above.

The following represents some draft criteria that could be considered a part of a policy/program. Prior to preparing a policy/program, staff wanted to prepare some initial draft criteria and options for Council's input and consideration. The following is a list of the possible criteria that could be utilized to develop the development charges program:

- **The development must provide affordable or special needs housing (herein referred to as affordable housing) and be eligible to receive applicable Federal, Provincial and County affordable housing program funding.** For 2015, staff are recommending that the Homeownership Program Housing Limits

be utilized to determine whether a unit is affordable. The limits are currently at \$225,000 for Grey County save and except for the Town of The Blue Mountains which is currently set at \$261,600. A development could also be eligible to apply for a grant-in-lieu if the development is eligible to receive other Federal, Provincial and County program funding for affordable housing. For affordable rental units, if the development qualifies for other program funding (e.g. Ontario Rental Build program being that the rent for the units is 80% or less of market rent with a 20 year affordability commitment), then the units would also be eligible to apply for a grant-in-lieu. This would ensure that the rental units would be maintained at affordable rental rate for an extended period of time. Should Council continue with the grant-in-lieu program in 2016 and beyond, one option would be to use the actual affordable housing/rental prices for each municipality as defined by the Province. The affordable housing data is approximately 5 years old, however this data is being updated later this year and the intent would be to update the data each year on a go forward basis.

- **The organization/developer may be required to enter into a development charges deferral agreement with the County which would be registered on title.** If a proposed development receives IAH funding and the development charges by-law has been revised to indicate that grant-in-lieu of development charges can be considered for affordable housing developments, it is recommended that a development charges deferral agreement would not be required. If an organization does not receive IAH funding but still meets the criteria for a development charges grant-in-lieu (and grant funding is still available), the organization/developer would need to enter into a development charges deferral agreement which would indicate that the development charges would be due at time of occupancy which would either be paid as a grant-in-lieu by the County (if eligibility criteria met) or would be paid by the organization if the proposed development does not meet the eligibility criteria. By deferring the development charges until time of occupancy, the organization can then provide proof of the final unit price to ensure that the unit meets the affordable housing criteria.
- **The development charges grant-in-lieu would be awarded initially based on the results of the IAH program, and if there are funds remaining after the IAH initial RFP, then a second round intake would be offered which would be awarded on a first-come-first serve basis.** Should the amount of grant-in-lieu applications exceed the funding allocation, one option would be to divide the total amount of grant-in-lieu funding by the total number of grant-in-lieu applications received (on a per unit basis), so that the grant-in-lieu funds are distributed equally amongst those that applied. Although this would not pay for the entire development charge amount, the majority of the development charge

expense would be covered subject to the amount of applications received. Council would also have the option of providing additional unbudgeted funding to support the proposed affordable housing developments should the amount of applications received exceed the budgeted amount. If there are no grant-in-lieu funds remaining and an organization/developer wishes to proceed with an affordable housing development, it is recommended that the organization/developer be eligible for a development charges deferral agreement if the proposed development meets the eligibility criteria. This would assist the organization/developer by lowering the up-front costs of the development as the development charges would be due at time of occupancy.

Other Considerations

- Notwithstanding the above criteria, the policy could include a statement indicating that if there is a strategic and direct economic benefit to the County of Grey from a proposed development, the County's Finance Director can recommend a deferral of development charges to Council. Determination of the strategic and significant direct economic benefit would be at the discretion of the Director of Finance and the CAO.
- Development Charge Rates – it is recommended that the development charges deferral agreements specify that the development charges due at time of payment would be the amount that was due at time of building permit subject to annual inflationary indexing consistent with the County's Development Charge By-laws. This would be consistent with the development charges deferral agreement recently approved by Council.
- For the approval of development charges deferral agreements, if a development meets the criteria as outlined in the policy, it is recommended that the authority to approve the agreements (up to a value of \$100,000) be delegated to the Director of Finance in consultation with the Director of Housing and the Director of Planning, and that the signing of the agreements be delegated to the Clerk and the Warden. Council would need to pass a by-law to delegate this authority to staff. If a development charges deferral request does not meet the eligibility criteria, Council would need to approve the authorization to sign the agreement.

The above represents staff's initial thoughts on criteria that could be considered as part of the development charges grant-in-lieu and deferral program. Staff wanted to present some possible criteria for Council's input prior to finalizing a draft policy and procedure. Following feedback from Council, staff will prepare a policy and procedure for Council's consideration.

Financial / Staffing / Legal / Information Technology Considerations

The 2015 budget includes funding for a development charges grant-in-lieu program. Based on the legal opinion received, it is recommended that the funds budget in 2015 be carried over into 2016 and that the program be linked with the Investment in Affordable Housing program. It is recommended that this program be monitored to determine whether or not the program should be continued or possibly expanded depending on the uptake of the program.

Link to Strategic Goals / Priorities

Action Item 2.4 of the County Strategic Plan indicates that the County should support the creation of more affordable housing in all areas of the County through implementation of the Housing Strategy. Implementing a Development Charges grant-in-lieu program and a development charges deferral program will help support and encourage affordable and special needs housing in Grey County.

Attachments

[PDR-PCD-21-14 Development Charges Grant-in-Lieu - Affordable Housing Projects](#)

[PDR-PCD-10-15 Development Charges Deferral Request](#)

Respectfully submitted by,

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