



REPORT TO: Community and Infrastructure Services Committee

DATE OF MEETING: May 1, 2017

SUBMITTED BY: Alain Pinard, Director of Planning, 519-741-2200 ext. 7319

PREPARED BY: Lauren Nelson, Planning Analyst, 519-741-2200 ext. 7072
Brandon Sloan, Manager, Long Range & Policy Planning,
519-741-2200 ext. 7648

WARD(S) INVOLVED: All Wards

DATE OF REPORT: April 20, 2017

REPORT NO.: CSD-17-034

SUBJECT: Development Incentives for Affordable Housing Implementation

RECOMMENDATIONS:

That a new Council Policy regarding Development Charges Payment Milestone for Affordable Rental Housing effective July 1, 2017, attached to Report CSD-17-034 as Appendix A, be approved;

That a new Council Policy regarding Development Application Fees and Building Permit Fees for Affordable Rental Housing effective July 1, 2017, attached to Report CSD-17-034 as Appendix B, be approved, and that a budget of \$30,000 annually for a period of five years be referred to the 2018 budget process;

That staff update internal processes and procedures in order to implement new Council Policies regarding affordable rental housing by July 1, 2017; and, further,

That the City of Kitchener encourage the Region of Waterloo to investigate development incentives for affordable housing and should the Region initiate a related Community Improvement Plan (CIP) for their jurisdiction, City of Kitchener staff are authorized to proceed with any formal CIP public process (if required at the local level) in order to partner on a joint initiative.

BACKGROUND:

Following staff report CSD-15-085, Kitchener Council identified specific local-level development incentives for affordable housing that should be further investigated. On February 27th, 2017, report CSD-17-018 was presented and discussed at a Council Strategy Session. Several actions are currently in the midst of public processes through

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other planning projects and will be delivered to Committee of Council in the spring of 2018. Some incentives may be best leveraged via programs that involve the Region of Waterloo. This report provides new Council Policies to implement several other incentives more immediately: the timing of development charges payments and exemptions to development application fees and building permit fees.

REPORT:

There are several local-level development incentives that can be established to assist with the provision of affordable rental housing. Recommended incentives are targeted at Not-For-Profit housing, can be done in the immediate timeframe, and can provide some benefit to private developments where a portion of units are affordable rental housing units. This report outlines information on the implementation process and implications of both timing of development charges payments, and exemptions to development application fees and building permit fees, and attaches new Council Policies for consideration. Additional development incentives, including those more broadly considered for any private development providing a minimum amount of affordable rental housing, are subject to further dialogue and review with the Region of Waterloo. While it would be ideal to fully coordinate with other municipalities, it is important for Kitchener to proceed with incentives at this time given the need in our community.

Timing of Payment of Development Charges

A new Council Policy titled 'Development Charges Payment Milestone for Affordable Rental Housing' has been prepared to encourage development of new affordable rental housing units through the timing of City development charge payments. The Policy is included in Appendix A to this report. The eligibility criteria includes that proponents must be a Not-For-Profit Corporation, a minimum of 30 percent of residential units be must set at or below 80 percent of average market rent for the regional area, and that projects are located within 450 metres from transit corridors across the city.

Implications and Financial Impact

Further to the benefits and drawbacks identified in report CSD-15-085 and the implications discussed via report CSD-17-018, there are several risks, revisions to processes, and budgetary impacts that need to be addressed during implementation of this incentive. These include:

- The agreement process;
- Additional staff time required;
- Risks regarding collection of outstanding fees and building occupancy; and,
- Impacts of development charges being paid later or not at all in cases of default.

Policy Administration

Prior to the effective date, staff will develop administrative procedures, including:

- A form for applicants to request a delay in payment of development charges, including supporting documentation to confirm eligibility;
- Internal procedures for staff review and approval of request forms received; and,
- A process for preparing a legal agreement.

Planning / Development Application Fees and Building Permit Fees

A new Council Policy titled 'Development Application Fees and Building Permit Fees for Affordable Rental Housing' has been prepared to encourage development of new affordable rental housing units through development application fee and building permit fee exemptions. The Policy is included in Appendix B to this report. The eligibility criteria includes that proponents must be a Not-For-Profit Corporation, a minimum of 30 percent of residential units must be set at or below 80 percent of average market rent for the regional area, and that projects are located within 450 metres from transit corridors across the city.

Implications and Financial Impact

Further to the benefits and drawbacks identified in report CSD-15-085 and the implications discussed via report CSD-17-018, there is the potential that some applications or permits may be submitted but not completed, and additional staff time will be required. There are also revisions to processes and budgetary impacts that need to be addressed during implementation of this incentive. If Council chooses to implement the exemption of the specified fees, additional funding would be required as part of the 2018 budget process. Based on the 10 year historical data presented in CSD-17-018, staff recommends an annual budget of \$30,000. This will result in annual surpluses or deficits depending on the activity in a given year, but over a 10 year period would result in a breakeven position if historical trends hold true.

Policy Administration

Prior to the effective date, staff will develop administrative procedures, including:

- A form for applicants to request exemptions to development application fees and building permit fees, including supporting documentation to confirm eligibility;
- Revised development application forms and building permit forms to include an option for applicants to identify as affordable rental housing providers requesting fee exemptions;
- Internal procedures for staff review and approval of request forms received; and,
- Internal procedures for Divisional budget implications.

Update on Regional Discussions

Following the February 27th Council discussion about the added value and benefits of the Region of Waterloo considering further development incentives for affordable housing, City Planning staff met with Regional Housing staff. At this time, we understand that through the Region's Action Plan for Housing there is intent to move forward with considering more incentives. These may include looking at certain fees, a tax-increment grant, development charges, and others. Some of the incentives to be investigated may even be considered to have broader eligibility (i.e. to all private development). At this point in time, Regional staff need to conduct internal discussions and it is currently estimating that there may be a report by the end of 2017 on this topic.

As identified in the February 27th report, staff are recommending that the City encourage the Region of Waterloo to investigate development incentives for affordable housing and should the Region initiate a Community Improvement Plan (CIP) for their

jurisdiction, that City of Kitchener staff are authorized to proceed with any formal CIP public process (if required at the local level) in order to partner on a joint initiative. A recommendation is included in this report to that effect.

ALIGNMENT WITH CITY OF KITCHENER STRATEGIC PLAN:

Strategic Priority: Safe and Thriving Neighbourhoods

Strategy: # 3.4 - Facilitate and promote housing developments that provide options for a diversity of lifestyles and household types

Strategic Action: NB16 Development Incentives for Affordable Housing – Phase 2

FINANCIAL IMPLICATIONS:

The potential financial implications were identified and discussed through report CSD-17-018 and through supplemental information included in the individual report sections above. The primary financial issues are:

- Timing of payment of development charges:
 - Should have no impact other than to delay collection; and,
 - This option exposes the City to the risk of development charge payment default by Not-For-Profit Corporations.
 - The unpaid development charges will be an unsecured claim, and although they can be added to taxes, they do not have priority lien status and the same remedies for collection are therefore not available.
- Waiving of development application and building permit fees:
 - Suggested impact is \$30,000 annually, to be referred to 2018 budget.

COMMUNITY ENGAGEMENT:

INFORM – This report has been posted to the City’s website with the agenda in advance of the council / committee meeting.

REVIEWED BY:

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Tim Benedict, Manager, Building, 519-741-2200 ext. 7645

Larry Tansley, Assistant City Solicitor, 519-741-2200 ext. 7266

ACKNOWLEDGED BY: Michael May, Deputy CAO (Community Services)

Attachments:

Appendix A – Council Policy ## - Development Charges Payment Milestone for Affordable Rental Housing

Appendix B – Council Policy ## - Development Application Fees and Building Permit Fees for Affordable Rental Housing

**Attachment to
Community &
Infrastructure Services
Committee Agenda**

May 1, 2017

RE: CSD-17-034

Appendix A

| | | |
|--|---|--|
|  | <h2>POLICY</h2> | <u>Policy No:</u> ## |
| <u>Policy Title:</u> DEVELOPMENT CHARGES PAYMENT MILESTONE FOR AFFORDABLE RENTAL HOUSING <u>Policy Type:</u> COUNCIL <u>Category:</u> Finance <u>Sub-Category:</u> Grants, Rebates & Incentives <u>Author:</u> Planning Analyst <u>Dept/Div:</u> Community Services Department – Planning Division | <u>Approval Date:</u> Click here to enter a date. | <u>Reviewed Date:</u> Click here to enter text. <u>Next Review Date:</u> Click here to enter text. <u>Reviewed Date:</u> Click here to enter text. |
| <u>Related Policies, Procedures and/or Guidelines:</u> City of Kitchener Development Charges By-law . | <u>Amended:</u> Click here to enter a date. | <u>Replaces:</u> Click here to enter text. <u>Repealed:</u> Click here to enter a date. <u>Replaced by:</u> Click here to enter text. |

1. **POLICY PURPOSE:**

To establish a policy to encourage development of new affordable rental housing units through the timing of City development charge payments.

2. **DEFINITIONS:**

Affordable rental housing for the purpose of this Policy, means housing constructed or provided for rental purposes, and that rent for the units are set at or below 80 percent of average market rent of a unit in the regional market area.

Not-For-Profit Corporation means a corporation, no part of the income of which is payable to, or otherwise available for, the personal benefit of a member or shareholder thereof.

Proponent means the *Not-For-Profit Corporation* requesting incentives under this policy, and either owns the subject property, or manages and operates the *affordable rental housing* units.

Policy No:

Policy Title: DEVELOPMENT CHARGES PAYMENT MILESTONE FOR AFFORDABLE RENTAL HOUSING

3. SCOPE:

| POLICY APPLIES TO THE FOLLOWING: | |
|---|---|
| <input checked="" type="checkbox"/> All Employees | |
| <input type="checkbox"/> Management | <input type="checkbox"/> Permanent Full-Time Employees |
| <input type="checkbox"/> Permanent Full-Time Non Union | <input type="checkbox"/> Permanent Full-Time C.U.P.E. 791 |
| <input type="checkbox"/> Temporary | <input type="checkbox"/> Part-Time Non-Union |
| <input type="checkbox"/> Student | <input type="checkbox"/> Permanent Full-Time Union |
| <input type="checkbox"/> Continuous Part-Time Employees | <input type="checkbox"/> Part-Time Employees |
| <input type="checkbox"/> Continuous Part-Time Non-Union | <input type="checkbox"/> Continuous Part-Time Union |
| <input type="checkbox"/> Specified Positions only: | <input type="checkbox"/> Other: |
| <input checked="" type="checkbox"/> Council | <input type="checkbox"/> Local Boards & Advisory Committees |

This Policy applies to all staff that collect and manage development charge payments through the development process.

4. POLICY CONTENT:

4.1. Eligibility Criteria

In order to be eligible for this Policy, the following criteria must be met:

- a) The *proponent* must meet the definition for *Not-For-Profit Corporation*;
- b) Eligible projects may include a development where *affordable rental housing* units are managed and operated by a *Not-For-Profit Corporation*. A minimum of 30 percent of the residential units in the development shall be *affordable rental housing* units.
- c) The subject property is located within 450 metres of an Existing or Planned Transit Corridor as identified on 'Map 2 Urban Structure' in the Official Plan.
- d) The subject property shall not be in a position of tax arrears.
- e) The *proponent* and/or property owner(s) have not defaulted on any other Agreement under this Policy.

4.2. Timing of Development Charge Payments for Affordable Rental Housing

- a) This Policy applies to the City portion of Development Charges only.
- b) Despite the City of Kitchener Development Charges By-law, eligible *affordable rental housing* providers may request to pay the City portion of

Policy No:

Policy Title: DEVELOPMENT CHARGES PAYMENT MILESTONE FOR AFFORDABLE RENTAL HOUSING

Development Charges prior to occupancy, rather than at the issuance of a Building Permit subject to the terms of this Policy.

- c) *Proponent* to submit a completed request form in the prescribed format to the Chief Building Official, prior to the Building Permit Application, to change the milestone at which the City's Development Charges fee is payable.
- d) The City will not charge a fee to process the request.
- e) Request reviewed by City staff to confirm criteria within this Policy are met, and *proponent* advised of the result. Should there be any issues or conflicts between the completed request form and the criteria within this policy, final determination will be made by the Chief Building Official in consultation with the City Solicitor and any other affected business units.
- f) If approved, an Agreement must be prepared and executed prior to the issuance of a Building Permit. The agreement will include that:
 - i. The amount payable will be the development charge rate in effect at the time of Building Permit issuance;
 - ii. Payment will be made prior to requesting the first occupancy only inspection of the building; and,
 - iii. Other clauses as deemed necessary by the City Solicitor.
- g) The Mayor and City Clerk are authorized to sign the Agreement.
- h) The Agreement will be executed once it has been signed by the land owner(s).
- i) In the event that payment is not made at the prescribed milestone, the outstanding payment will be added to the related property tax roll. Interest will be charged as per the rates outlined in Council Policy I-518 Collections – Property Taxes.

4.3. Effective Date

- a) This Policy comes into effect on July 1, 2017.
- b) This Policy will be reviewed no later than 5 years after the effective date.

Policy No:

Policy Title: DEVELOPMENT CHARGES PAYMENT MILESTONE FOR AFFORDABLE RENTAL HOUSING

5. HISTORY OF POLICY CHANGES

Administrative Updates

No administrative history available yet.

Formal Amendments

No amendment history available yet.

**Attachment to
Community &
Infrastructure Services
Committee Agenda**

May 1, 2017

RE: CSD-17-034

Appendix B

| | | |
|--|--|-----------------------------|
|  | <h1>POLICY</h1> | <u>Policy No:</u> ## |
| <u>Policy Title:</u> DEVELOPMENT APPLICATION FEES AND BUILDING PERMIT FEES FOR AFFORDABLE RENTAL HOUSING <u>Policy Type:</u> COUNCIL <u>Category:</u> Finance <u>Sub-Category:</u> Grants, Rebates & Incentives <u>Author:</u> Planning Analyst <u>Dept/Div:</u> Community Services Department - Planning Division | <u>Approval Date:</u> Click here to enter a date. | |
| | <u>Reviewed Date:</u> Click here to enter text. <u>Next Review Date:</u> Click here to enter text. <u>Reviewed Date:</u> Click here to enter text. | |
| | <u>Amended:</u> Click here to enter a date. | |
| | <u>Replaces:</u> Click here to enter text. <u>Repealed:</u> Click here to enter a date. <u>Replaced by:</u> Click here to enter text. | |
| <u>Related Policies, Procedures and/or Guidelines:</u> City of Kitchener Municipal Code chapters for fees and charges pertaining to development applications, Committee of Adjustment applications and Building Permits. | | |

1. POLICY PURPOSE:

To establish a policy to encourage development of new affordable rental housing units through development application fee and building permit fee exemptions.

2. DEFINITIONS:

Affordable rental housing for the purpose of this Policy, means housing constructed or provided for rental purposes, and that rent for the units are set at or below 80 percent of average market rent of a unit in the regional market area.

Not-For-Profit Corporation means a corporation, no part of the income of which is payable to, or otherwise available for, the personal benefit of a member or shareholder thereof.

Proponent means the *Not-For-Profit Corporation* requesting incentives under this policy, and either owns the subject property, or manages and operates the *affordable rental housing* units.

Policy No:

Policy Title: DEVELOPMENT APPLICATION FEES AND BUILDING PERMIT FEES FOR AFFORDABLE RENTAL HOUSING

3. SCOPE:

| POLICY APPLIES TO THE FOLLOWING: | |
|---|---|
| <input checked="" type="checkbox"/> All Employees | |
| <input type="checkbox"/> Management | <input type="checkbox"/> Permanent Full-Time Employees |
| <input type="checkbox"/> Permanent Full-Time Non Union | <input type="checkbox"/> Permanent Full-Time C.U.P.E. 791 |
| <input type="checkbox"/> Temporary | <input type="checkbox"/> Part-Time Non-Union |
| <input type="checkbox"/> Student | <input type="checkbox"/> Permanent Full-Time Union |
| <input type="checkbox"/> Continuous Part-Time Employees | <input type="checkbox"/> Part-Time Employees |
| <input type="checkbox"/> Continuous Part-Time Non-Union | <input type="checkbox"/> Continuous Part-Time Union |
| <input type="checkbox"/> Specified Positions only: | <input type="checkbox"/> Other: |
| <input checked="" type="checkbox"/> Council | <input type="checkbox"/> Local Boards & Advisory Committees |

This Policy applies to all staff that process development applications and building permits.

4. POLICY CONTENT:

4.1. Eligibility Criteria

In order to be eligible for this Policy, the following criteria must be met:

- a) The *proponent* must meet the definition for *Not-For-Profit Corporation*;
- b) Eligible projects may include a development where *affordable rental housing* units are managed and operated by a *Not-For-Profit Corporation*. A minimum of 30 percent of the residential units in the development shall be *affordable rental housing* units.
- c) The subject property is located within 450 metres of an Existing or Planned Transit Corridor as identified on 'Map 2 Urban Structure' in the Official Plan.
- d) The subject property shall not be in a position of tax arrears.

4.2. Development Application Fee and Building Permit Fee Exemptions for Affordable Rental Housing

- a) This Policy applies to the following application and permit fees:
 - i. Pre-submission Consultation requests for applications under subsections (ii) through (vi);
 - ii. Committee of Adjustment;
 - iii. Official Plan Amendment;

Policy No:

Policy Title: DEVELOPMENT APPLICATION FEES AND BUILDING PERMIT FEES FOR AFFORDABLE RENTAL HOUSING

- iv. Zone Change;
 - v. Site Plan (Full, Stamp Plan A, Stamp Plan B);
 - vi. Plan of Subdivision or Plan of Condominium;
 - vii. Demolition Control; and,
 - viii. Building Permit.
- b) Despite the City of Kitchener Municipal Code (Chapter 375 – Tariff of Fees – Committee of Adjustment, Chapter 380 – Tariff of Fees – Planning Fees, and Chapter 710 – Building – Permits and Fees), eligible *affordable rental housing* providers may request an exemption from the payment of development application fees and/or building permit fees, subject to the terms of this Policy.
- c) *Proponent* to identify as an *affordable rental housing* provider requesting fee exemptions under this Policy, and submit a completed request form in the prescribed format prior to a development application and/or building permit application.
- d) The City will not charge a fee to process the request.
- e) Request reviewed by City staff to confirm criteria within this Policy are met, and *proponent* advised of the result. Should there be any issues or conflicts between the completed request form and the criteria within this policy, final determination will be made by the Director of the division charging the fee in consultation with the City Solicitor and any other affected business units.
- f) If approved, the *proponent* will be exempt from the payment of application and/or permit fees in subsection a) and will provide supporting documentation confirming approval under this Policy.

4.3. Effective Date

- a) This Policy comes into effect on July 1, 2017.
- b) This Policy will be reviewed no later than 5 years after the effective date.

5. HISTORY OF POLICY CHANGES

Administrative Updates

No administrative history available yet.

Formal Amendments

No amendment history available yet.