Staff Report

Financial Services Department

REPORT TO:	**Committee of the Whole**
DATE OF MEETING:	**June 24, 2024**
SUBMITTED BY:	**Jonathan Lautenbach, Chief Financial Officer, 519-741-2600 ext. 7334**
PREPARED BY:	**Katie Fischer, Director of Financial Reporting & ERP Solutions, 519-741-2600 ext. 4630**
WARD(S) INVOLVED:	**All Wards**
DATE OF REPORT:	**June 3, 2024**
REPORT NO.:	**FIN-2024-279**
SUBJECT:	**Development Charges Exemption for Affordable Housing**

RECOMMENDATION:

That delegated authority to approve and execute agreements required under section 4.1 of the Development Charges Act, 1997, be granted to the Chief Financial Officer / Treasurer or designate, with said agreements being to the satisfaction of the City Solicitor.

REPORT HIGHLIGHTS:

- The purpose of this report is to put into place an efficient process for the exemption of affordable and attainable residential units under the Development Charges Act (DC Act).
- The key finding of this report is that the DC exemption of affordable residential units came into effect on June 1, 2024. The DC Act requires that the developer and the City enter into an agreement to keep the units affordable for 25 years.
- The definition of affordability is prescribed in the DC Act as set out in the body of the report below.
- The financial implications are that this mandatory exemption is anticipated to reduce the City's collection of DCs in the future, which may impact the availability of funds to support the City's growth capital projects in the future. Staff will continue to monitor and assess the impacts the DC exemptions and changes to the DC Act have on the City's budgets.
- Community engagement included posting this report to the City's website with the agenda in advance of the council / committee meeting.
- This report supports **Building a Connected City Together: Focuses on neighbourhoods; housing and ensuring secure, affordable homes; getting around easily, sustainably and safely to the places and spaces that matter.**

*** This information is available in accessible formats upon request. ***
Please call 519-741-2345 or TTY 1-866-969-9994 for assistance.

BACKGROUND:

As part of Bill 23, the *More Homes Built Faster Act, 2022*, the Province introduced a new section 4.1 "Exemption for affordable and attainable residential units" to the *Development Charges Act, 1997* ("DC Act").

The section was further refined in 2023 under Bill 134, the *Affordable Homes and Good Jobs Act, 2023* to update the calculation of determining what is an affordable residential unit so that it included an income-based threshold in addition to a market-based threshold.

This section is now in force as of June 1, 2024. The following is a brief overview of what this mandatory exemption entails:

- "Affordable residential units" are exempt from development charges ("DCs") if they meet the following criteria:
    - For rental units, the rent is the lesser of the income-based affordable rent calculation and the average market rent. For the City of Kitchener, the Province has determined this threshold to be:
        - Bachelor units: $1,117
        - 1-bedroom units: $1,322
        - 2-bedroom units: $1,594
        - 3 or more-bedroom units: $1,779
    - For ownership units, the purchase price is the lesser of the income-based affordable purchase price and 90% of the average purchase price in the market. For the City of Kitchener, the Province has determined this threshold to be $370,100 for all unit and building types.
- The affordability calculation is anticipated to be updated annually by the Province on June 1st.
- The DC Act requires that the renter or purchaser be arm's length from the developer.
- The DC Act requires that the developer and the municipality enter into an agreement that requires the residential unit to remain affordable for 25 years. It does not specify how the municipality will monitor and enforce this, and staff continue to review in consultation with other municipal partners and our DC consultants, Hemson Consulting Ltd.

While "attainable residential units" are now exempt, the Province has not yet prescribed any development or class of developments that would meet this definition; therefore this has no impact at present time.

REPORT:

As part of the affordable residential units exemption, the DC Act requires that the developer and the local municipality enter into an agreement that requires the residential unit to remain affordable for 25 years. The DC Act also requires an agreement in the case of an attainable residential unit exemption.

To minimize administrative burden and support the timely development approvals for affordable and attainable housing, staff recommend that authority for signing agreements under section 4.1 of the DC Act be delegated to the Chief Financial Officer / Treasurer or designate, to the satisfaction of the City Solicitor. In absence of this delegated authority, each agreement authorizing the exemption of DCs for affordable and attainable residential units would require a report to Council and Council resolution, which may delay developments.

STRATEGIC PLAN ALIGNMENT:

This report supports **Building a Connected City Together: Focuses on neighbourhoods; housing and ensuring secure, affordable homes; getting around easily, sustainably and safely to the places and spaces that matter.**

FINANCIAL IMPLICATIONS:

Capital Budget – The recommendation has no direct impact on the Capital Budget. The affordable and attainable residential unit exemptions will reduce the City's collection of DCs in the future, however it is not possible to estimate the amount at this time given uncertainty surrounding how many developments will meet the exemption criteria. This could impact the availability of funds to support the City's growth capital projects in the future. Staff will continue to monitor and assess the impacts the DC exemptions and changes to the DC Act have on the City's budgets.

Operating Budget – The recommendation has no impact on the Operating Budget.

COMMUNITY ENGAGEMENT:

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

PREVIOUS REPORTS/AUTHORITIES:

- *Development Charges Act, 1997*

APPROVED BY: Jonathan Lautenbach, Chief Financial Officer

ATTACHMENTS: Not Applicable