



Council
May 26, 2009

AFFORDABLE HOUSING & DEVELOPMENT CHARGES
RELIEF PROGRAM

Recommendation:

The Commissioner of Corporate Services and Finance recommends:

THAT the report of the Commissioner of Corporate Services and Finance dated May 26, 2009 regarding Affordable Housing & Development Charges Relief Program be received; and

THAT the amendment to the Development Charge By-law entitled "Reduction of Development Charges for Affordable Housing" dated May 26, 2009 be enacted.

Background/Purpose:

The purpose of this report is to deal with the deferred motion on this topic from the May 14, 2009 meeting of Committee of the Whole.

Analysis/Comment:

The revised proposed amendment to the DC By-law is included as Attachment 1, Section 3.14.1 (1) now states an "affordable housing unit" means any single detached dwelling with more than two bedrooms for which the purchase price is at least 25% less than the average purchase price for a single detached dwelling in the County of Prince Edward as established from time to time based on Section 3.14.1 (2).

Sections 3.14.1 (3) and (7) have been altered to reflect Council's direction through the motion CW-29-2008 of February 20, 2008 (adopted by Council March 10, 2008) that stated "that staff be requested to develop a grant program that will provide a grant for affordable housing development equal to the difference between the development charge levy for a single detached dwelling of greater than 2 bedrooms and the amount for a single detached dwelling of 2 bedrooms or less".

Please note that any amendment to the Development Charges By-law will require appropriate notice and a public meeting.

Strategic Plan Implications:

Although this initiative could support Key Strategic Issue #6 – Quality of Life, depending on the uptake, it could inhibit Key Strategic Issue #8 – Finances.

Financial Implications:

This relief, at current development charge rates, would be \$2,964 (\$7,382 minus \$4,418) for each affordable housing unit.

To date in 2009, 42 building permits have been issued for new home construction. 21 of these permits have a construction value of less than \$150,000 (all building permits are based on a construction cost of \$100 per square foot). 19 of these permits relate to mobile homes in resort communities; only 2 relate to homes that could qualify as “affordable housing units” as defined herein.

Policy Implications:

The *Development Charges Act* is one of the few items in the current legislative framework in Ontario that provides revenues from the development industry to municipalities. Any relief provided under this program, if adopted, will be carefully monitored and reported regularly.

Summary:

A revised amendment to the Development Charges (DC) By-law to provide for relief for affordable housing units is attached.

Attachments:

1. Reduction of Development Charges for Affordable Housing, May 26, 2009
2. History of Affordable Housing Provision prepared by Councillor Campbell

Approved by:  , Commissioner of Corporate Services and Finance, May 20, 2009

CAO Approval:  20/May/09

**REDUCTION OF DEVELOPMENT CHARGES FOR AFFORDABLE HOUSING
May 26, 2009**

- 3.14.1 (1) In this section "Affordable Housing Unit" means any single detached dwelling with more than two bedrooms for which the purchase price is at least 25% less than the average purchase price for a single detached dwelling in the County of Prince Edward.
- (2) In determining the average purchase price for a single detached dwelling in the County of Prince Edward for the purposes of subparagraph 1 above, the average purchase price for a single detached dwelling will be calculated for the calendar year next preceding the calendar year in which the completed application for the building permit for the dwelling unit in question is received and shall be determined by the Chief Building Official on the basis of information compiled by the Quinte Real Estate Board or its successor.
- (3) The development charge payable for a single detached dwelling unit with more than two bedrooms that qualifies as an Affordable Housing Unit in accordance with the definition as set out in subparagraph 1 above shall be equal to the development charge otherwise payable pursuant to this By-law for a single detached dwelling unit that contains two bedrooms or less.
- (4) Despite the provisions of subparagraph 3 above, the development charge required by this By-law for a single detached dwelling unit with more than two bedrooms shall be paid prior to the issuance of the building permit in accordance with the provisions of this By-law.
- (5) The person to whom the building permit was issued may upon completion of the initial sale of a single detached dwelling unit with more than two bedrooms apply to the Chief Building Official for a reduction of the Development Charge payable to the rate set out in Section 3.14.1 (3) above and shall provide such documentary evidence as is satisfactory to the Chief Building Official that the building qualifies as an Affordable Housing Unit as defined in subparagraph 1 above.
- (6) Satisfactory documentary evidence that the building qualifies as an Affordable Housing Unit shall include, but not be limited to:
- (a) a copy of a Land Transfer Tax Affidavit duly executed in accordance with Section 5 (1.2) of the Land Transfer Tax Act; or
 - (b) a statement forming part of the electronic document as required by Section 5 (1.1) of the Land Transfer Tax Act.
- (7) Upon receiving an application for reduction of the Development Charge in

accordance with subparagraph 5, and upon being satisfied that the building qualifies as an Affordable Housing Unit as defined in subparagraph 1 above, the Chief Building Official may refund to the person to whom the building permit was originally issued a sum equal to the difference between a single detached dwelling unit that contains two bedrooms or less and the Development Charge that was originally paid upon the issuance of the building permit.

Report to Council, May 26 2009

Re Committee of the Whole meeting May 14 2009 – item 7.13

Development Charges By-law – Affordable Housing Provision

Council Actions to date

Dec 10, 2007 – CW-70-2007 passed [adopted by Council Dec 17, 2007]:

That the residential charge structure maintain industry accepted practice for charging on per unit basis with differentiated single detached unit based on number of bedrooms; and

That an affordable housing exemption be added that sets a maximum development charge for affordable housing equal to the rate charged for a house, 2 bedrooms or less, with the affordable housing definition to be determined.

Feb 20, 2008 – CW-29-2008 passed [adopted by Council March 10, 2008]:

That staff be requested to develop a grant program that will provide a grant for affordable housing development equal to the difference between the development charge levy for a single detached dwelling of greater than 2 bedrooms and the amount for a single detached dwelling of 2 bedrooms or less.

Dec 3, 2008 – CW-116-2008 passed [adopted by Council Dec 15, 2008]:

That the review of the Development Charges By-law by Andrew Grunda, Watson and Associates and David DeMille, Templeman Menninga be received; and

That the legal opinion dated November 17, 2008 from Templeman Menninga regarding an affordable housing grant program be received.

Dec 3, 2008 – CW-117-2008 passed [adopted by Council Dec 15, 2008]:

Whereas Council adopted CW-29-2008 in March 2008 [see above].....; and

Whereas the legal opinion submitted by Templeman Menninga dated November 17, 2008 proposes an amendment to the Development Charges By-law to address Development Charge relief for affordable housing;

Therefore be it resolved that staff be directed to prepare an amendment to the Development Charges By-law providing a separate development charge rate for housing that comes within the definition of affordable housing, to apply to a single detached dwelling with more than 2 bedrooms;

That such houses be subject to a development charge equal to 60% of the development charge payable on non-affordable housing; and

That staff report to the February meeting of the Corporate Services and Finance Committee with the proposed amendment and process of implementation.

Current Status

May 14, 2008 – C of W item 7.13

- A report from the Commissioner of Corporate Services and Finance presented a response from Templeman Menninga dated April 24, 2009 providing a suggested amendment to the Development Charges By-law to deal with Affordable Housing and to provide a definition of Affordable Housing.

- 2 motions were presented:

1. *That the report of the Commissioner of Corporate Services and Finance regarding Affordable Housing & Possible Reduction in Development Charges be received.*
[motion passed]
2. *That the proposed amendment to the Development Charges By-law to provide provisions for a reduction of Development Charges for Affordable Housing, as contained in the attachment to the report of the Commissioner of Corporate Services and Finance, be approved*

subject to the definition of Affordable Housing Unit as contained in section 3.14.1 (1) being changed from a purchase price at least 40% less than the average purchase price for a single detached dwelling in the County of Prince Edward to a purchase price at least 25% less. [motion deferred]

For May 26, 2009 – Council meeting

I respectfully propose that at least the first part of the deferred motion [Motion #2] above be approved as it provides a workable, objective mechanism for recognizing that small affordable homes which happen to have say, 3 bedrooms instead of 2 to accommodate an average size family, should not be subjected to the same significantly higher DC as applied to large expensive homes.

The second part of that motion is intended to bring an objective basis to the percentage of average purchase price used in the definition. See below for an analysis of three possible percentages to consider.

Percentage of Average Purchase Price Scenarios [for use in definition]

1. As presented in Templeman Menninga's suggested amendment: **40% less**
Rationale – "somewhat arbitrary" per David DeMille

2. Prince Edward, Lennox & Addington Social Services "Home Ownership Assistance Program" administered in early 2009 set maximum purchase price to qualify at \$180,000. This maximum price equals 75% of the Dec 2008 average residential purchase price for Prince Edward County of \$238,717. **Therefore, 25% less**

3. Provincial Policy Statement offers this definition of Affordable Housing: "Housing for which the purchase price is at least 10% below the average price of a resale unit in the regional market area. **Therefore, 10% less**

Attachments:

Letter from Templeman Menninga dated April 15 2009

Letter from Templeman Menninga dated April 24 2009 [includes draft amendment to Development Charges By-law]

Prepared by
Councillor Bev Campbell

May 20 2009


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Via Fax - 613-476-8356

(from the office of David W. DeMille, BELLEVILLE e-mail:

dwd@tmlegal.ca)

April 15, 2009

 The Corporation of the County of
 Prince Edward
 332 Main Street
 Picton, Ontario
 K0K 2T0

Attention: Richard Shannon

Dear Sir:

 Re: Discounted Development Charge
 Our File No. 03552

Further to our earlier correspondence, we drafted the proposed Amendment for the Development Charge By-law to provide a discount for those who wish to build "affordable housing". To make the amendment workable, we had to add a definition for "affordable housing".

In Mr. Grunda's memorandum he had adopted the definition of "affordable housing" as set out in the Provincial Policy Statements enacted pursuant to the *Planning Act*. This makes sense to us because the PPS's part of the planning regime for the Province of Ontario.

In my view, it is essential that whatever definition is used in the By-law be easily understood and easy to apply. The Chief Building Official to a large extent, implements the provisions of the Development Charges By-law. In my view, it is essential that these provisions be transparent, logical, understandable and easy to apply.

After I forwarded to you the draft By-law, we tested the definition as set out in the PPS. "Affordable" in the case of ownership housing means the least expensive of:

1. Housing for which the purchase price results in annual accommodation costs which do not exceed 30% of the gross annual household income for low and moderate income households; or

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2. Housing for which the purchase price is at least 10% below the average purchase price of a re-sale unit in the regional market area.

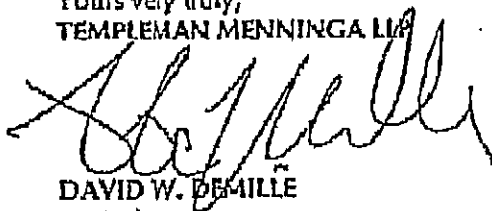
The key to the first branch of the definition is to determine the percent of gross annual household income in low and moderate income households. The first step was to obtain the median income level for Prince Edward County. This required a review of the 2006 census data which provided the median household income for Prince Edward County. The next step was to obtain the income distribution for the County of Prince Edward. This is more difficult to obtain. To get this information for Prince Edward County we had to contact Statistics Canada. We were advised by Statistics Canada that this information is available for a fee. The request for information has to be reviewed first and then within 7 to 10 business days a quote of the fee that will be charged is sent by Statistics Canada. We would then have to send the prescribed fee to Statistics Canada and then wait for receipt of the information. This information would likely change from year to year. It strikes me as cumbersome and unworkable.

The second branch of the definition has some attraction in that it initially appears to be more straight forward. However, we contacted the Quinte District Real Estate Board which advised us that statistics are not kept for re-sale units. We were advised that statistics are kept for the sale of all residential units, new and used. As of December, 2008 the average residential purchase price for Prince Edward County was \$238,717.00. The purchase price which is 10% below this price is still well over \$200,000.00 and I question whether this is what is intended by Council in defining "affordable housing".

At this point, we will see if we can develop a better definition for affordable housing. Any suggestions from those who are involved in affordable housing would be appreciated. It may be that we have to simply fix an arbitrary amount such as 50% of the average purchase price for a residential unit in Prince Edward County.

We will see if we can find a better definition of affordable housing in the legislation or Regulations or Policy Statements. If you have any comments or questions, please do not hesitate to contact me.

Yours very truly,
TEMPLEMAN MENNINGA LLP



DAVID W. DEMILLE
DWD:ha

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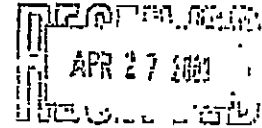
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Via Fax - 613-476-8356

(from the office of David W. DeMille, BELLEVILLE e-mail:
dwd@tmlegal.ca)

April 24, 2009

The Corporation of the County of
Prince Edward
332 Main Street
Picton, Ontario
K0K 2T0



Copy to S. Turnbull
G. Davis

Attention: Richard Shannon

Dear Sir:

Re: County of Prince Edward (Affordable Housing)
Our File No. 03552

Further to our earlier telephone conversations and written correspondence, please find enclosed with this letter an amendment to the Development Charges By-law that deals with Affordable Housing. With respect to the definition of "Affordable Housing", I elected to proceed with a fraction (60%) of the average selling price for single detached homes in the County of Prince Edward in a calendar year. Obviously, the higher the fraction the more houses would qualify. * The figure of 60% is somewhat arbitrary and you may wish to review this with staff. *

I did not wish to get into an income component. In my view, this would require proof of income for those who purchase the house and I would prefer to avoid this if possible.

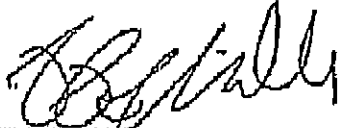
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If you have any comments or questions, please do not hesitate to contact me.

Yours very truly,
TEMPLEMAN MENNINGA LLP



DAVID W. DEMILLE
DWD:ha

Enclosure – Wording for Reduction of Development Charges for Affordable Housing

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REDUCTION OF DEVELOPMENT CHARGES FOR AFFORDABLE HOUSING

- 3.14.1 (1) In this section "Affordable Housing Unit" means any single detached dwelling with more than two bedrooms for which the purchase price is at least 40% less than the average purchase price for a single detached dwelling in the County of Prince Edward.
- (2) In determining the average purchase price for a single detached dwelling in the County of Prince Edward for the purposes of subparagraph 1 above, the average purchase price for a single detached dwelling will be calculated for the calendar year next preceding the calendar year in which the completed application for the building permit for the dwelling unit in question is received and shall be determined by the Chief Building Official on the basis of information compiled by the Quinte Real Estate Board or its successor.
- (3) The development charge payable for a single detached dwelling unit with more than two bedrooms that qualifies as an Affordable Housing Unit in accordance with the definition as set out in subparagraph 1 above shall be equal to 60% of the development charge otherwise payable pursuant to this By-law for a single detached dwelling unit that contains more than two bedrooms.
- (4) Despite the provisions of subparagraph 3 above, the development charge required by this By-law for a single detached dwelling unit with more than two bedrooms shall be paid prior to the issuance of the building permit in accordance with the provisions of this By-law.
- (5) The person to whom the building permit was issued may upon completion of the initial sale of a single detached dwelling unit with more than two bedrooms apply to the Chief Building Official for a reduction of the Development Charge payable to the rate set out in Section 3.14.1 (3) above and shall provide such documentary evidence as is satisfactory to the Chief Building Official that the building qualifies as an Affordable Housing Unit as defined in subparagraph 1 above.
- (6) Satisfactory documentary evidence that the building qualifies as an Affordable Housing Unit shall include, but not be limited to:
- (a) a copy of a Land Transfer Tax Affidavit duly executed in accordance with Section 5 (1.2) of the Land Transfer Tax Act; or
 - (b) a statement forming part of the electronic document as required by Section 5 (1.1) of the Land Transfer Tax Act.

- (7) Upon receiving an application for reduction of the Development Charge in accordance with subparagraph 5, and upon being satisfied that the building qualifies as an Affordable Housing Unit as defined in subparagraph 1 above, the Chief Building Official may refund to the person to whom the building permit was originally issued a sum equal to forty percent (40%) of the Development Charge that was originally paid upon the issuance of the building permit.