



Report to: General Committee

Meeting Date: March 4, 2025

SUBJECT: Deferral of Development Charges for High-Rise Residential Buildings

PREPARED BY: Kevin Ross
Manager, Development Finance & Payroll, ext. 2126

REVIEWED BY: Mark Visser, Senior Manager, Financial Strategy & Investments, ext. 4260

RECOMMENDATION:

- 1) THAT the report entitled, “Deferral of Development Charges for High-Rise Residential Buildings” be received;
- 2) THAT the attached Development Charge Deferral Policy - High-Rise Residential Buildings be approved;
- 3) THAT the Treasurer be authorized to modify the Policy to make any administrative changes deemed necessary for the implementation of the deferrals;
- 4) THAT the Treasurer be authorized to execute Development Charge deferral agreements, in a form satisfactory to the City Solicitor; and
- 5) THAT Staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:

N/A

PURPOSE:

This report seeks Council approval for the adoption of a Development Charge Deferral Policy for High-Rise Residential Buildings that is intended to assist builders by reducing/deferring some of the carrying costs associated with building high-rise developments, and in turn encourage their construction. This policy will be in place for two years; however, it can be amended or extended by Council prior to expiry.

BACKGROUND:

High-rise residential development has become an increasingly important part of the City’s growth plan, and is integral to the achievement of the Province’s housing target aimed at providing much needed residential units. High-rise developments take years to build, unlike single detached and townhouse units that are completed within a much shorter time frame. As such, the costs associated with high-rise developments must be carried for a

longer period of time, thereby impacting the overall cost structure of the project. In the current economic environment, developers are experiencing more challenges to finance their projects, so a reduction/deferral in their upfront costs should provide some assistance to obtain financing.

The City currently has a policy in place to defer development charges during the period that an underground garage is being constructed. However, with the changes to the *Planning Act* (Bill 109) and the discontinuation of phased building permits for a high-rise building, this deferral can no longer be implemented. As such, a re-work of the deferral is required to provide some relief to this segment of the market.

Development charges are calculated and collected on land and structures being developed, pursuant to the *Development Charges Act, 1997* as amended, and Markham's Development Charge by-laws. The collection of development charges occurs at the execution of a subdivision agreement and/or at the issuance of a building permit. For construction to proceed, development charges have to be paid in order to secure a building permit. The *Development Charge Act, 1997* however, allows for the deferral of development charges beyond the timeline stipulated in the City's by-laws.

The City is permitted to enter into deferral agreements pursuant to section 27(1) of the *Development Charges Act, 1997* which states that, "*A municipality may enter into an agreement with a person who is required to pay a development charge providing for all or any part of a development charge to be paid before or after it would otherwise be payable*".

While deferrals of development charges is permitted, they are not mandatory and must be agreed on by the municipality in order to be effected.

OPTIONS/ DISCUSSION:

The current development charge deferral for underground garages being built as a part of the larger residential structure is no longer viable, as separate (conditional) building permits will no longer be issued for high-rise buildings going forward as a result of timelines for development approval stipulated in Bill 109. Staff therefore reviewed options to provide development charge (and carrying cost) relief for high-rise residential developments with the aim of encouraging construction in a market that may not be as robust as in previous years.

High-rise residential developments start construction with the underground parking garage and, depending on the size of the structure (e.g., number of levels), this can take more than one year to be completed. In order to provide a similar duration of deferral as the previous one that is no longer viable, and provide assistance during underground construction, staff are recommending the following terms for a development charge deferral policy:

- 1) A two-year program to be reviewed at or before expiration of the Policy;
- 2) Apply to a residential building that is 10 or more storeys above grade and contains a minimum of 100 residential units;
- 3) The deferred development charges be due at the earlier of:

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- a. eighteen (18) months after the issuance of the building permit for a high-rise residential building or,
 - b. the date of condominium registration;
- 4) The deferral apply only to City-Wide development charges and excludes any area specific development charges that may be applicable;
 - 5) No interest to accrue on the development charge payable for the duration of the deferral; and
 - 6) The deferral be secured by a letter of credit or pay-on-demand surety bond, which will be drawn once the development charges become due.

Area specific development charges are excluded from the deferral to ensure that the developers upfronting the infrastructure in localized areas are reimbursed in a timely manner. The development charge deferral recommended is also applicable to mixed use buildings where the predominant use is residential. This policy will not be retroactive to developments where the charges have already been paid.

Markham has an existing development charges deferral policy for developments such as affordable and special needs housing, purpose-built rental buildings and developments requiring more than one building permit (i.e. underground parking garages). Staff will conduct a fulsome review of that policy and report back to Council with suggested changes that align with current market conditions and product offerings later this year.

This deferral policy is only applicable to development charges levied by the City, and does not include those levied by the Region and School Boards (who have their own by-laws and policies). **The Region currently has a similar 18-month deferral policy in place.** Should the developer make an application for a Regional development charge deferral, the City's policy will work in tandem with the Region's. If the School Boards decide to defer development charges, they would have to implement a similar policy.

FINANCIAL CONSIDERATIONS

Deferring the collection of development charges may have an impact on the receipt of revenues. It is anticipated that the City will forego net interest of approximately \$2M to \$4M on the deferred development charge collection over the 2-year term of the policy.

However, without a deferral of the development charges, construction of some of these high-rise residential buildings will likely not commence at this time, and the City will not collect these revenues until the market becomes viable. Awaiting a turnaround in the market will result in less development charges being collected during the period. Therefore, the City's development charge cashflows may be no worse off by providing these deferrals. Delaying the collection of the charges will also enable developers to continue building dwelling units to meet the City's housing needs and help support the local economy.

The current cost recovery fee applicable to a development charge deferral request will be charged by the Legal and Finance departments for the preparation and administration of

the development charge deferral agreement. The fee as per the 2025 Fee By-law 2002-276 is constituted as follows:

- \$1,279.50 for the review of the development charge deferral request, and
- 1% of the value of a deferral request to a maximum of \$12,810.50.

HUMAN RESOURCES CONSIDERATIONS

Not applicable.

ALIGNMENT WITH STRATEGIC PRIORITIES:

This is consistent with the City's goal of efficient service delivery and financial stewardship.

BUSINESS UNITS CONSULTED AND AFFECTED:

The Legal and Building Departments have been consulted, and their comments are incorporated into this report and the Policy.

RECOMMENDED BY:

Joseph Silva
Treasurer

Trinela Cane
Commissioner, Corporate Services

Claudia Storto
City Solicitor &
Director of People Services

ATTACHMENTS:

- Appendix A – Development Charges Deferral Policy – High-Rise Residential Buildings