



DEVELOPMENT CHARGE DEFERRAL HIGH-RISE RESIDENTIAL BUILDINGS



**General Committee
March 4th, 2025**



Introduction

- High-rise residential development is an important part of the City's growth plan and is integral to the achievement of the Province's housing target
- These structures take years to construct and costs are carried for a long period of time – this impacts the cost structure of the project
- The purpose of this proposed policy is 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 is proposed to be in place for two years, however it can be amended or extended by Council prior to expiry

Current Policy - High Rise Construction

- Defers development charges during the period that an underground garage is being constructed *with no financial security requirement*
- Former process required the issuance of separate building permits for below-grade and above-grade works, which were typically issued as conditional permits pending site plan approval.
- Building permit issuance for above grade works served as the trigger (and security) for development charge collection – included interest or indexing
- Following the implementation of Bill 109, the timeline for site plan approval for high-density development has been expedited. As a result, a single building permit will be issued for the entire structure.
- The Chief Building official is required to issue building permits when they comply with the regulations and cannot withhold approval for any sections of the building.
- As such, a re-work of the deferral is required to provide continued relief to this segment of the market

Current Policy - High Rise Construction

- High-rise buildings can be segmented into three separate construction stages



Shoring and Excavation *

- No development charges(DCs) assessed

* Pre Bill 109 conditional permit issued if site plan control approval not obtained



Underground Parking Garage *

- DCs assessed – could be deferred to above grade



Above Grade Structure

- Deferred DCs paid at this point with interest or indexing

Proposed Policy Highlights

- To continue alleviating some cash flow pressures incurred during construction, staff are recommending the following terms for a development charge deferral:
 - 1) Development charges be due at the earlier of:
 - a. Eighteen (18) months after the issuance of the building permit for a high-rise residential building or,
 - b. The date of condominium registration
 - 2) Applies to a residential building that is 10 or more storeys above grade and contains a minimum of 100 residential units
 - 3) Applies to only City-Wide Hard and Soft development charges and excludes any area specific development charges that may be applicable
 - 4) No interest to accrue on the development charge payable for the duration of the deferral
 - 5) To be secured by a letter of credit or pay-on-demand surety bond, which will be drawn once the development charges become due
 - 6) Two-year program to be reviewed at or before expiration of the Policy

Review of Current Policy

- Staff will undertake a comprehensive review of the City's current Development Charge Deferral Policy which encompasses developments such as:
 - Affordable and Special Needs Housing
 - Purpose-Built Rentals
 - Developments with underground parking garages (e.g. high-rise developments)
- Region has a similar 18-month deferral that they could potentially update
- The City will review its overall deferral program and assess the policies/practices of other municipalities (including the Region)
- Staff will report back to Council with proposed changes to the Policy reflecting legislative changes and current market conditions later this year

Financial Considerations

- Over the proposed 2-year term of the Policy, the City will forgo interest of approximately \$2M - \$4M on the deferred Development Charges
- Without a deferral of development charges, construction of some high-rise residential buildings will likely not commence at this time
 - Awaiting a turnaround means minimal development charge collection in the intervening period
- The proposed deferral may facilitate the commencement of residential developments which will address the City's housing needs and help support the local economy

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.

QUESTIONS ?