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## **Regional Incentive Programs – 175 Deerfield Road Staff Report to Council**

Report Number: 2019-128

Department(s): Planning and Building Services

Author(s): Ted Horton, Senior Planner, Community Planning

Meeting Date: November 25, 2019

### **Recommendations**

1. That the report entitled Regional Incentive Programs – 175 Deerfield Road dated November 25, 2019 be received;
2. That the amended incentives for the 175 Deerfield Road development be approved to align with the new Regional incentive program as presented in this report;
3. That staff be directed to review the newly-adopted Regional incentive programs for rental housing and office developments and provide recommendations on how to maximize benefit to Newmarket; and,
4. That Staff be authorized and directed to do all things necessary to give effect to this resolution.

### **Executive Summary**

Council has previously approved financial incentives for the 175 Deerfield Road development application. The incentives assist in advancing the development and securing community benefits. Changes to York Region's approach to development incentives means that the previously-approved Town incentives now cannot be delivered. Revisions are required to the Council-approved incentives to align them with the Region's program. Additional affordable housing benefits will also be secured as a result of the revised approach due to the new Regional incentive program and the participation of the development in a Canada Mortgage and Housing Corporation affordability program. A new York Region office incentive program also requires review

to report back to Council on how the Town can align its approach to best benefit from these programs.

## Purpose

This report provides an update on incentive programs that were recently adopted by the Regional Municipality of York related to office developments and purpose-built rental apartment developments. The report recommends amending incentives that Council has authorized for the 175 Deerfield Road development application's residential rental building in order to align them with the Region's incentives. Finally, the report recommends that staff review the Region's incentive programs and report to Committee on any recommended changes to the Town's programs to ensure a coordinated approach that seeks to maximize the benefit of Regional programs for the Town.

## Background

Encouraging growth and development on the Yonge Street and Davis Drive corridors has been a major objective of Council. Efforts to encourage this development have taken different forms as market forces and the programs of other levels of government have changed.

Encouraging the development of purpose-built rental apartments has proven particularly challenging. Newmarket has taken a leading role in York Region to encourage purpose-built rental housing to provide the diverse mix of housing that meets the needs of our residents.

One major development application in the corridors is located at 175 Deerfield Road. Council has approved the zoning by-law amendment for 175 Deerfield Road to permit a residential development comprised of three towers over two phases (two in phase one and the third in phase two). For the two towers comprising Phase 1, one building is to be rental in tenure, and the other a condominium. Staff are currently processing an application for site plan approval for this first phase.

In an effort to make this development feasible, and to secure certain community benefits beyond what can normally be required through Planning Act applications, Council approved a set of incentives for the 175 Deerfield Road development. The most significant of these incentives is a 10-year Tax Increment Equivalent Grant (TIEG) for the purpose-built rental building. The delivery of this TIEG required the implementation of a Community Improvement Plan (CIP) by the Regional Municipality of York. At the

### Past Relevant Reports

- [Preliminary Planning Report 2018-17](#)
- [Recommendation Report 2018-52](#)
- [Incentives Report 2018-61](#)
- [Recommendation Report 2018-62](#)
- [Ratification Report 2019-12](#)

time of Council's approval of the incentives, the Region had endorsed a CIP and was moving towards its implementation along with a Regional TIEG.

Since Council approval of the incentives, the Region has changed its approach, revised its incentive programs, and has not implemented a CIP. Consequently, the Town is unable to deliver the TIEG for the purpose-built rental building or achieve the benefits that were conditions of the TIEG. The Region's new program instead implements long-term Development Charge (DC) deferrals for mid-range affordable purpose-built rental buildings.

During the site plan approval application process staff have also worked with the applicant to align the project to secure other supports. These include York Region's new incentive program and the Canada Mortgage and Housing Corporation (CMHC), which assist to secure additional affordable housing units in the rental building. These supports are contingent on the Town continuing to offer similar incentives

In order to continue to secure the benefits that Council has directed, and to align the Town's approach with that of the Region, this report recommends revising the approved incentives for the rental building from the 10-year TIEG to a long-term DC deferral.

## **Discussion**

The proposed development at 175 Deerfield Road is a significant development in the town's Urban Centres Secondary Plan intensification area. The development will include three residential multi-unit buildings with units ranging from one to three bedrooms. The sections of this report below discuss the overall 175 Deerfield development, the incentives that Council previously approved, the program that the Region has adopted, a program of the Canada Mortgage and Housing Corporation related to the development, and the overall community benefits that may be achieved.

### **Approved development**

The development application for 175 Deerfield Road comprises three multi-unit residential buildings, two fifteen storeys in height and one of ten storeys. The two fifteen-storey buildings are currently proceeding through a site plan approval process before development begins. One building is to be rental in tenure, and the other a condominium.

The development will also contribute to the achievement of the Urban Centres Secondary Plan policy objectives, including the new street network. The development will convey land to the Town for the future extension of Calgain Road. Easements over privately-owned roads across the site and adjacent properties at 212 and 230 Davis Drive will also contribute to the ability of residents to travel freely over the properties, increasing transportation options and permeability. At the Town's behest, the applicant has also acquired additional lands to the west of the development in the form of a former

residential property and remnant lands expropriated by York Region, which will be developed into a park.

## **Incentives & Benefits**

Through the reports referenced in the Background section above, Council approved a set of incentives for the development which were contingent upon agreeing to provide certain benefits.

### **Fee deferral**

First, these incentives included the deferral of a range of application and permit fees and cash-in-lieu of parkland dedication – fees which are relatively minor in the overall scope of the development.

### **Servicing allocation**

Second, Council approved servicing allocation units for the two buildings of the development. This follows efforts by Council to encourage the development of a new residential condominium through the establishment of the Strategic Condominium Reserve of servicing allocation units, which have since been allocated to the condominium to be built at 175 Deerfield Road. Accordingly one of the buildings will be a residential condominium, which is currently being marketed as “The Davis”.

Additionally, the increased servicing allocation was conditional on the development proceeding under the Region’s “Sustainable Development through LEED” program for the first two buildings. This program requires the development to include a range of sustainability features to achieve a LEED-silver designation among other Regional criteria. The effect of this is that the Town will receive a substantial refund/credit of servicing allocation units from the Region, which Council has approved to then be allocated to the third building of the development upon confirmation that the allocation units have been credited from the Region. The current development contains 216 dwelling units in the rental building and 219 in the condominium, which has a servicing allocation requirement of 652 persons. Based on the Region’s Sustainable Development through LEED program, the preliminary credit from the Region is anticipated to be 196 persons.



### **Height and density bonusing**

Third, Council approved additional height and density for the project under Section 37 of the Planning Act, as is provided for in the Urban Centres Secondary Plan and the Town’s Height and Density Bonusing Guidelines. In return, the applicant will convey funds and capital infrastructure to be invested into the adjacent park lands.

## Development charge deferral

Fourth, the Town agreed to defer development charges for a period of 48 months (four years) as provided for in the Council-approved Development Charge Deferral Policy. The rate of development charges for the rental building was agreed to be set at the rate as of the date of the site plan approval application, and the condominium building at the rate of the date of building permit issuance.

## Tax Increment Equivalent Grant (TIEG)

Finally and most significantly, Council approved a ten-year Tax Increment Equivalent Grant for the rental building. This incentive is discussed in detail in Report 2018-61, a link to which is provided in the Background section of this report. It was a condition of this TIEG that the applicant would ensure that for the first tenants of 19 dwelling units in the rental building that their rent would meet the affordable housing price threshold.

## Regional incentive programs

York Region also supports the development of rental housing affordable to mid-range income households. Regional Council recently approved a new Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy.

The intent of this new Regional incentive is to encourage the construction of purpose-built rental housing whose rent does not exceed 175% of Average Market Rent (“AMR”). This would assist in the creation of “mid-range affordable” rental units.

York Region broadly, and Newmarket among other local municipalities, has an insufficient supply of rental housing. Rental vacancy rates in the past two decades have hovered between 0.7% in 2001 to 1.6% in 2012 and 1.3% in 2017, well below the 3% that is generally regarded as an indicator of a healthy rental housing market.



The Region’s new incentive program is available for a maximum of 1,500 dwelling units over the three-year period of the program. The program allows for the deferral of all regional development charges for the purpose-built rental building.

Key terms of the Regional incentive program are set out below:

- Applies to purpose-built rental tenure only and must remain rental for a minimum of 20 years
- Applies to buildings a minimum of 4 storeys in height
- The local municipality must provide similar or better incentives

The duration of the deferral of development charges under the Regional program depends on how the development meets the criteria laid out in the table below.

In short, a 5-year deferral is provided for meeting 175% AMR, a 10-year deferral for also being located in a Regional Centre or Corridor (such as is the case with the 175 Deerfield Road application), and a 20-year deferral is provided where a development meets the preceding criteria and also provides a mix of unit sizes with at least 50% two-bedroom units.

### **Regional Rental Development Charge (DC) Deferral Incentives**

| Duration of Regional DC Deferral | Requirements   |
|----------------------------------|--|
| 36 Month                         | Purpose-built rental of four storeys or more, with no affordability criteria, applicable anywhere in York Region   |
| 5-Year                           | As above, with affordability criteria applied (175% AMR*)  |
| 10-Year                          | 5-Year Deferral Requirements<br><b>AND</b>   |
|                                  | <ul style="list-style-type: none"> <li>• Located in Regional Centres and Corridors</li> </ul>  |
| 10-Year                          | 5-Year Deferral Requirements:<br><b>AND</b>  |
|                                  | <ul style="list-style-type: none"> <li>• Minimum of 100 dwelling units</li> </ul>  |
|                                  | <b>AND</b>   |
|                                  | <ul style="list-style-type: none"> <li>• A minimum of 50 per cent (%) of the total number of dwelling units in the purpose-built rental building must have two (2) or more bedrooms**</li> </ul> |
| 20-Year                          | 5-Year Deferral Requirements:<br><b>AND</b>  |
|                                  | <ul style="list-style-type: none"> <li>• Located in Regional Centres and Corridors</li> </ul>  |
|                                  | <b>AND</b>   |
|                                  | <ul style="list-style-type: none"> <li>• Minimum of 200 dwelling units</li> </ul>  |
|                                  | <b>AND</b>   |
|                                  | <ul style="list-style-type: none"> <li>• A minimum of 50 per cent (%) of the total number of dwelling units in the purpose-built rental building must have two (2) or more bedrooms**</li> </ul> |

\*AMR stands for Average Market Rents, which refers to the average actual rents charged for private apartments in York Region calculated and published annually in the Canada Mortgage Housing Corporation (CMHC) Fall Rental Market.

\*\* Units that achieve one-hundred and twenty-five (125) per cent (%) AMR or less, by bedroom type, do not have to satisfy the unit split requirement and may be excluded from the total number of units used to calculate the unit split calculation. See the Development Charge Deferral for Affordable, Purpose-Built Rental Buildings policy (Attachment 1) for more detail.

The Region’s incentive program requires the local municipality to provide similar or better incentives. The Town has provided a range of incentives, as are discussed above. In addition to these the Town has provided flexible parkland dedication options, revised parking requirements, facilitated a streamlined review process, and approved the transfer of the Deerfield Road right-of-way.

However, the scale of the Region’s incentive through the long-term DC deferral requires the Town to provide a larger incentive in order to provide a value similar to the Region’s incentive. The previously-approved 10-year TIEG was of a similar order of magnitude, but as is discussed above cannot currently be employed. Accordingly, this report recommends that Council approve a deferral of development charges for the rental building that is in line with the Region’s program.

#### Regional programs

- [Office development DC deferral program](#)
- [Affordable, purpose-built rental program](#)

The Region has also adopted a similar long-term development charge deferral program to encourage the development of offices. Staff have been following and consulting with Regional staff as these two programs have been developed. The recommendations of this report would direct staff to review the new Regional programs and report back to Council on what changes the Town might consider in order to best benefit from these new Regional programs.

### Canada Mortgage and Housing Corporation Program

In November 2017 the Federal Government announced the National Housing Strategy (“NHS”), a ten-year plan to invest in housing across Canada with the objectives of reducing chronic homelessness, reducing housing needs, building new homes, and supporting the creation of a more balanced housing supply.



The Canada Mortgage and Housing Corporation (“CMHC”) is a principal institution in the NHS delivery. The Rental Construction Financing Initiative (“RCFI”) is one element of the overall NHS. The RCFI provides low-cost loans encouraging construction of rental housing across Canada where the need is clearly demonstrated. It provides up to \$13.75 billion in loans for the construction of 42,500 units and will run from 2017 to the end of 2027.

All projects must:

- have at least 5 rental units;
- have a loan size of at least \$1 million;
- respond to a need for rental supply;
- have zoning in place, a site plan in process with the municipality; and
- meet minimum financial viability and social outcome requirements.

The social outcome requirements of the RCFI advance many of the same community-building policies of the Urban Centres Secondary Plan. Namely, the RCFI imposes affordability requirements through a lower AMR threshold than the Region’s program, and that have a longer duration than the Town’s would be able to achieve.

The RCFI will require 40 units instead of the Town’s initial 19 units at 125% AMR. Among these 40 will be four two-bedroom units and thirty-six one bedroom units, while all of the units previously achieved by the Town would be one-bedroom units. The RCFI will also require an additional 15 units at a separate definition of affordability based on average household income in the municipality, for which census data suggests is roughly 150% AMR. The RCFI will guarantee those 40 units at 125% AMR for ten years, and twelve of those units for a further ten years thereafter, while the Town’s incentive previously only guaranteed the rate for the first tenancy. In short, the RCFI achieves significantly greater affordability than the Town has previously been able to create.

The RCFI also supports sustainability efforts by requiring that buildings have energy use and greenhouse gas emissions 15% below the National Building Code. Finally, the RCFI supports accessibility by setting higher requirements for providing barrier-free units.

The rental building proposed at 175 Deerfield Road meets each of these requirements, and the applicant has been working with staff from the Town, the Region, and the CMHC to seek the CMHC’s support. The CMHC has indicated their support in principle for the development, contingent in part on the Town’s support of the project as demonstrated through the incentives described in this report.

### Combined incentive packages

Through Council’s approval of the incentives, and through the revision to the incentives recommended by this report, the support of the Region and the CMHC can be gained in order to achieve a greater benefit than was previously possible.

The table below summarizes the achievements that may be gained in the rental building if the Town and Region incentives are provided at the twenty-year duration identified in the Region’s deferral program along with the CMHC RCFI.

| Town Program                                       | Regional Programs   | CMHC Program   |
|--|---|--|
| 19 one-bedroom units at 125% AMR for first tenancy | All units below 175% AMR for duration of DC deferral<br><br>At least 50% of units in the building to be two-bedroom units | 36 one-bedroom and 4 two-bedroom units at 125% AMR for ten years<br><br>12 of those 36 one-bedroom units at 125% AMR for additional ten years<br><br>15 units at 150% AMR for first ten years<br><br>Energy use and greenhouse gas emissions 15% below National Building Code<br><br>10% of units to be barrier-free |

## Recommended incentives

In order to achieve the above-discussed community benefits, facilitate the approved development, and ensure alignment between programs, it is recommended to amend the incentives to match those provided by the Region. This will entitle the development to a 10 or 20 year deferral of Town DCs, subject to the Region's criteria above. The CHMC's criteria related to depth and duration of affordability as discussed above will continue to apply.

In addition, the Town will continue to secure 19 affordable housing units at 125% AMR as discussed above among the other criteria. As the CMHC criteria will create additional duration for these units, the Town will ensure through appropriate legal agreements proper eligibility, monitoring, and reporting for these units at 125% AMR for a period of at least ten years. Agreements to ensure these matters for all affordable units will be secured by each program as necessary, and discussions are ongoing with York Region as to how best to align these affordable units with existing housing programs.

Other incentives and community benefits as presented in previous reports (linked above) are not recommended to be revised, and work is well advanced in securing them through appropriate legal agreements.

## Bill 108

As previously reported, the adoption of Bill 108, the "More Homes, More Choices Act", by the Ontario Legislature will have significant impacts on planning, growth, and development.

### Reports related to Bill 108

- [Report 2019-62](#)
- [Report 2019-76](#)

One of the effects of Bill 108 is that it will also allow developments of rental apartment buildings to pay their DCs over a span of six equal annual installments, in effect creating a by-right DC deferral for all such developments in the future.

The sections of Bill 108 related to these changes have not yet been proclaimed into law. Thus, while the Town's overall future DC growth funding approach will require additional review and changes to align with Bill 108, the law has no effect on this development.

## Next steps

Following the approval of the recommendations of this report, staff will work toward drafting appropriate legal agreements to enact the incentives and secure the benefits discussed in this report.

Staff continue to process the site plan approval application for the development as it proceeds toward construction.

## **Conclusion**

The development at 175 Deerfield Road is a significant step toward achieving the goals of the town's Urban Centres Secondary Plan. Council has approved certain incentives to the project to achieve community benefits and affordability beyond those typically possible through a Planning Act application. In order to achieve the associated benefits, Council approval of revisions to the incentives is required due to changes to the Region's approach to rental housing incentives. The recommendations of this report will assist a major development along Davis Drive to proceed, benefit from Regional and Federal support, and bring greater housing affordability to Newmarket.

## **Business Plan and Strategic Plan Linkages**

This report supports the Council strategic pillar of Vibrancy on Yonge, Davis, and Mulock by facilitating a major housing development in the urban centres. It supports the pillar of Long-term Financial Stability by bringing investment and development more rapidly, and leveraging Town incentives to unlock Regional and Federal supports. It further supports the pillar of Economic Leadership by achieving the housing types to maintain Newmarket's ability to attract and retain skilled professionals and employers.

## **Consultation**

Consultation was undertaken with staff from the Region and Financial Services, the developer of 175 Deerfield Road, and the approval authorities of this report.

## **Human Resource Considerations**

None.

## **Budget Impact**

Report 2018-61 laid out the financial impact of the previously-approved incentives. The recommendations of this report, if adopted, would revise those incentives from a ten-year TIEG to a long-term DC deferral. This would delay the Town's receipt of development charges but forgo the previously-approved TIEG.

Staff in Financial Services have reviewed the proposed changes to the approved incentives. The review concluded that the cost to the Town will have no greater financial impact due to the proposed revised incentives.

## **Attachments**

None.

## **Approval**

Adrian Cammaert, Acting Manager, Planning Services

Jason Unger, Acting Director, Planning and Building Services

Peter Noehammer, Commissioner, Development and Infrastructure Services

## **Contact**

Ted Horton, Senior Planner, Community Planning