

Committee of the Whole (2) Report

DATE: Tuesday, June 17, 2025

WARD(S): ALL

TITLE: PURPOSE BUILT RENTAL UNITS (NON-LUXURY) –
DEVELOPMENT CHARGE DEFERRAL

FROM:

Michael Coroneos, Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer

ACTION: DECISION

Purpose

To provide a response to New Business – “Purpose-Built Rental Units (Non-Luxury)” motion dated May 6, 2025, addressing the option to defer development charges on purpose-built rental units (non-luxury) for 40 years similar to what York Region has recently proposed.

Report Highlights

- York Region is proposing a new development charge deferral policy to incentivize purpose-built rental for non-luxury units with a tenure of 40 years.
- City policy would supplement the Region policy to address the need to increase the supply of housing.
- Non-luxury rental units would be defined at 200 percent of Average Market Rents.
- A rental building would need to maintain a rental tenure of 40 years to benefit from the long-term deferral. Non-compliance would trigger the payment of deferred development charges plus interest of prime rate plus two percent, compounded annually.
- Staff propose that the deferral agreement be a triparty agreement with the Region.

Recommendations

1. Conditional on York Region Council approving a development charge deferral policy for non-luxury residential rental unit development with a 40-year tenure:
 - a. That staff be directed to prepare an amendment to policy 12.C.07 “City Wide Development Charges Deferral” to defer development charges for non-luxury purpose-built residential rental unit development with a tenure of 40 years, and that the policy be amended to the satisfaction of the City Manager, in consultation with legal counsel and the Deputy City Manager, Corporate Services, City Treasurer and Chief Financial Officer; and
 - b. That staff engage with York Region to develop a triparty agreement among the City, York Region and the developer for the deferral of non-luxury residential rental unit development charges.

Background

On Nov. 28, 2022, *Bill 23, More Homes Built Faster Act, 2022*, added new provisions to the *Development Charges Act, 1997* to discount development charges relating to purpose-built rental developments. Section 26.2 of the *Development Charges Act* provides discounts based on the number of bedrooms per unit as follows: three or more bedrooms receive a 25 per cent discount, two bedrooms receive a 20 per cent discount and all other units receive a 15 per cent discount. The *Development Charges Act* also provides for deferred development charge payments starting at occupancy over five years. There have also been other incentives provided by higher levels of government to help address and incentivize the need for more rental housing supply. Since these incentives have been introduced, there has been interest by the development community; however, no purpose-built buildings have been constructed.

On April 3, 2025, York Region staff proposed to bring forward a policy to provide a long-term deferral on purpose-built rental units that are considered non-luxury and that maintain a rental tenure of 40 years. This policy will be proceeding to York Region’s Committee of the Whole on June 12, 2025, for further consideration.

This policy is aimed at trying to increase the rental housing supply by providing further incentives to the development community beyond what has already been included in the *Development Charges Act* and provided by the Provincial and Federal governments. There is a need to increase the supply of housing, in particular rental housing in Vaughan, to meet the needs of the residents.

Previous Reports/Authority

Not applicable.

Analysis and Options

The City currently does not offer any specific development charges incentives for purpose-built rental aside from what is current contained within the *Development Charges Act*. York Region currently offers two different purpose-built rental deferral policies, one aimed at affordable purpose-built rentals within specific areas and with

varying lengths of deferral, and a second region-wide deferral for purpose-built rental for 36 months. Each policy has its own set of criteria, lengths of deferral and conditions to secure the deferral. The Region policies require that the local municipality participates in the deferral by providing some form of financial or non-financial incentive or relief. Each application requires a report be brought forward to Council seeking approval for an incentive or relief to satisfy the Region's policy.

York Region is proposing to create a new policy to provide an indefinite development charges deferral, until a change of use occurs, for non-luxury rental units that maintain a rental tenure of 40 years, in order to boost the supply of rental apartments. This policy would be geared towards those units that do not meet the definition of affordable housing under the Province's Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin, which provides a development charges exemption based on a purchase price or monthly rental threshold, nor would it be under the current Region Affordable Rental Building deferral policy which sets the monthly rent at 175 per cent of average market rent. This policy proposes to define non-luxury as units whose rents will be set at 200 per cent average market rent on average for the rental building in order to incentivize the supply of rental units with a tenure of 40 years.

To further contribute to the supply of rental housing in Vaughan, developers could take advantage of the City's policy to reduce and defer development charges on all residential developments. However, the City could also align with the Region and offer a similar policy to what is being proposed and coordinate a joint deferral agreement between all parties. The deferral would remain in place indefinitely as long as the rental development maintains rental tenure for 40 years. If at any time before the 40 years there is a change of use away from rental, the deferred development charges would become payable in full with interest at prime rate plus 2 per cent, compounded annually.

The proposed rental deferral policy for non-luxury units would align with the Region's parameters for term, security and rental thresholds. The policy would be applicable for any City-wide rental development that has not yet been issued a building permit or paid their development charges. The proposed policy has not yet been drafted, but would be prepared in such a way as to align with the Region, where possible, and to coordinate administrative efforts. It is also proposed that the deferral agreement be a triparty agreement with the Region for ease of administration and simplify the process for the applicant.

Financial Impact

The financial impact of a long-term deferral for a rental apartment building would be determined by the number of units within the development. For example, a 50-unit rental building, using the City's current published development charges by-law rates would result in an estimated \$2.5 million in deferred City development charges. Combined with the Region's deferral, the estimated deferral amount is estimated at \$4.9 million. Education development charges would still be payable at building permit issuance.

As the proposed policy is to defer development charges, instead of providing an exemption, there would be no requirement to fund the deferred development charges from non-development charges sources.

Operational Impact

The operational impact of this proposed policy would result in the long-term monitoring of rental developments to ensure compliance with the rental tenure and rental thresholds below 200 percent of average market rents. Rental data from each development would need to be provided and compared against the data that is collected by CMHC. CMHC provides the data for median rents by municipalities that would need to be reviewed to ensure policy compliance.

Broader Regional Impacts/Considerations

The proposed policy would support and supplement the Region's policy to further incentivize the supply of rental housing in Vaughan. City staff would seek assistance from York Region regarding the compliance to the policy as there is existing expertise and knowledge at York Region.

Conclusion

In response to the growing need for rental housing in Vaughan, the proposed development charge deferral policy represents a strategic and collaborative approach to incentivize long-term rental construction. By aligning with York Region's proposed 40-year deferral framework and establishing a triparty agreement, the City can enhance the attractiveness of purpose-built rental developments while ensuring policy consistency and administrative efficiency.

Should Council approve this direction, staff will proceed to engage with York Region and draft the necessary amendments to Policy 12.C.07, ensuring alignment with legal and financial oversight. The expected outcome is a measurable increase in the supply of non-luxury rental housing, contributing to a more balanced and inclusive housing market in Vaughan.

For more information, please contact: Nelson Pereira, Manager, Development Finance.

Attachments

N/A

Prepared by

Nelson Pereira, Manager, Development Finance, 8393