



FIN2025-40

Date: September 10, 2025

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Subject: Affordable Residential Unit Development
Charge Exemption Agreements

Nature/Goal

The purpose of this report is to provide an update on affordable residential unit development charge exemption that is now contained in the Development Charges Act (DCA), 1997.

This report also seeks Council approval of two legal agreement templates for affordable residential unit rental units and another for affordable residential unit ownership. A delegation of authority to enter into the agreements as part of the development approval process is also requested.

Directive/Previous policy

N/A

Department's recommendation

THAT the Committee of the Whole recommends to Council the approval of a by-law to :

- a. authorize and approve a template for an Affordable Residential Unit Rental Development Charge Exemption Agreement as well as a template Affordable Residential Unit Ownership Development Charge Exemption Agreement;
- b. authorize the Treasurer or their written designate to execute these Agreements;
- c. authorize the Treasurer, or their written designate, to approve amendments to these Agreements.

QUE le comité plénier recommande au conseil d'approuver un règlement visant à :

- a. autoriser et approuver un modèle pour une Entente d'exemption des frais d'aménagement pour les logements abordables ainsi qu'un modèle pour une Entente d'exemption des frais d'aménagement pour les logements abordables en copropriété ;
- b. autoriser le trésorier ou son représentant désigné par écrit à signer ces ententes;
- c. autoriser le trésorier ou son représentant désigné par écrit à approuver les modifications apportées à ces ententes.

Background

Since 2019, the Development Charges Act (DCA), 1997 has gone through some significant legislative changes, including expanding the types of development that would be subject to development charge (DC) exemptions. One of the exemptions, affordable residential units, was introduced in October 2022 through Bill 23, More Homes Built Faster Act, 2022. While components

of Bill 23 have subsequently been enacted and incorporated into the DCA, the affordable residential unit exemption was a pending matter for the Provincial legislature. It should be noted that non-profit housing developments are now fully exempt as of November 28, 2022 when Bill 23 amended the DCA. As a result, the balance of this report will address the DC exemptions for affordable residential units that are not considered non-profit housing.

In September 2023, Bill 134, Affordable Homes and Good Jobs Act, 2023 was introduced, which amended the determination of when a residential unit would be considered an affordable residential unit. While Bill 134 received Royal Assent in December 2023, the affordable residential unit exemption was not legislated until the Provincial government released the Affordable Residential Units Bulletin and proclaimed the DCA amendment in force and effect as of June 1, 2024. The release of the Bulletin was critical because it is necessary when assessing whether a residential unit is deemed affordable and therefore eligible for the DC exemption, noting the Bulletin will be updated periodically by the Minister of Municipal Affairs and Housing.

Discussion

When is a Residential Unit Considered Affordable in the Development Charges Act?

The affordable residential unit exemption is eligible for both rented units and owned units. Residential units are deemed exempt from DCs if the following conditions are met:

- Affordable Residential Units – Rental
 - The rent is no greater than the lesser of:
 - The income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for renter households in the applicable local municipality; and,
 - The rent that, in the Minister’s opinion, is equal to 30 per cent of the income of the household.
- Affordable Residential Units – Ownership
 - The price of the residential unit is no greater than the lesser of:
 - The income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for households in the applicable local municipality; and,
 - 90 per cent of the average purchase price identified for the residential unit and would result in annual accommodation costs equal to 30 per cent of the income of the household.
- Non-Profit Housing Exemption
 - A non-profit corporation whose primary focus is to provide housing.

Requirement for Affordable Residential Unit DC Agreement

In addition to meeting affordability thresholds, the property owner that would be required to pay DCs must enter into an agreement with the City that requires the residential unit(both rental and ownership) to remain affordable for 25-years before the exemption is applied (Appendix A, Schedule 1 and Schedule 2). It should be noted that the 25-year agreement is a requirement in the DCA.

For Profit Developments:

- A development charge is not applied to units deemed affordable.
- An agreement is registered for 25-years, and delivery of affordable units is tracked year-over-year based on Ministry of Municipal Affairs and Housing period updates to the Affordable Housing Bulletin.
- In the event of default under the agreement, the methodology that will be applied by the Treasurer for the purposes of establishing an interest rate will be based on the lowest average prime rate from major Canadian banks plus 1% for the respective interest period, noting that the interest rate will be adjusted on January 1, April 1, July 1 and October 1. Interest will be applied and calculated using the lowest rate in effect at any point during the frozen DC period. If the frozen DC period has lapsed, then the interest rate will be the average prime rate from major Canadian banks plus 1% in effect at building permit issuance.
- Market units constructed in the building are subject to a DC.

Non-Profit Developments:

- A DC is not applied to the building permit for any units constructed.
- No agreement is registered on title for the DC exemption.
- Unit mixes in buildings could include both affordable and market units to ensure a viable operating proforma.
- Overall reduction to capital and operating by reducing the debt portion of the non- profit operator.

City-owned Properties:

- A DC is not applied to the building permit for any units constructed where the City is the owner.
- No agreement is necessary.

In order to expedite the process of exempting eligible developments, it is recommended that Council approve both Affordable Residential Unit Development Charge Exemption Agreement templates and grant the Treasurer delegated authority to enter into and amend such agreements.

Consultation

N/A

Recommendations or comments from committee/ other departments

N/A

Financial impact (expenses/material/etc.)

The City did not have any affordable housing development since the change in the DC act, additional funding was not allocated to support this specific exemption. The finance department will continue to monitor developments that qualify for the exemption and will bring forward additional funding requests through the budget process if required.

Legal implications

The two proposed templates have been reviewed by the City's legal Counsel.

Risk management

N/A

Strategic implications

The goal of this initiative is to make sure that the units receiving an exemption remain affordable for a minimum of 25 years.

Supporting documents

Appendix A : By-Law 2025-XX to approve template Affordable Residential Unit Development Charge Exemption Agreements and authorize Treasurer to execute and amend.

- Schedule 1: Affordable Residential Unit Rental Development Charge Exemption Agreement
- Schedule 2: Affordable Residential Unit Ownership Development Charge Exemption Agreement