

April 3, 2008

Mr. Joe Farag  
Director, Special Projects  
City of Toronto  
City Hall  
100 Queen Street West  
Toronto, Ontario  
M5H 2N2

Dear Mr. Farag,

I am writing to provide you with the Toronto Real Estate Board's preliminary input regarding the City of Toronto's Draft 2008 Development Charge Background Study and forthcoming Development Charge by-law. We look forward to providing additional input once the final version of the Background Study and proposed by-law are made available.

### **Growth Should Pay for Growth**

As you may know, TREB is an association of approximately 27,000 REALTORS® working within the residential, industrial, and commercial markets. TREB's Members know the importance of high quality and efficient municipal infrastructure. As such, TREB acknowledges the need for development charges and recognizes the important role that they play in funding growth-related capital costs.

### **Keep Development Charges Competitive**

It is important for the City's residents and businesses that development charges be as competitive as possible. In this regard, short-term revenue generated by development charges should be considered in the context of long-term city policy objectives, such as intensification, employment growth, and affordable housing.

### Recommendations:

- Minimize proposed development charge increases and ensure that the Development Charges Background Study adequately considers the impact of development charges on other City objectives, including:
  - Proposed affordable housing strategy (*Housing Opportunities Toronto*)
  - Tax Increment Equivalent Grant Program
  - The City's *Agenda for Prosperity*
  - Intensification targets of the City's Official Plan
- Ensure that the Development Charges Background Study only includes capital costs that are truly growth-related.

### **Adequate Transition Provisions Are Necessary**

As has been previously recognized by Toronto City Council, adequate transition provisions are critically important to prevent unfair and unexpected burdens on the development industry and on homebuyers. In many cases, the development industry and homebuyers may have made financial decisions prior to proposed increases in development charges. This means that, without adequate transition provisions, many unsuspecting homebuyers could be faced with substantial additional costs because of the cost flow-through clauses included in most purchase agreements.

Interestingly, City Council recognized the importance of protecting homebuyers from unforeseen housing costs when it approved the new Toronto land transfer tax. At that time, City Council approved a grandfathering period, which exempted any purchasers who entered into Agreements of Purchase and Sale prior to December 31, 2007.

#### Recommendation:

Staff recommendations to City Council should clearly indicate the need for adequate transition provisions, for both the development industry and homebuyers. Transition provisions must include grandfathering for homebuyers who enter into Agreements of Purchase and Sale prior to the approval of a new Development Charge By-law.

### **Provide Relief for Affordable Ownership Housing**

As noted above, it is important that the City's decisions regarding the Development Charge by-law are considered in the context of other City priorities. In this regard, the City's current and proposed by-laws recognize the importance of encouraging affordable housing by providing an exemption for "dwelling units for which the City has granted conditional approval under the Rental Rehabilitation Assistance Program". TREB's interpretation is that this is referring to the rental component of the Canada Mortgage and Housing Corporation's (CMHC) Residential Rehabilitation Assistance Program (RRAP), which is administered by the City.

As you may know the RRAP program has numerous components, including one targeted towards affordable ownership housing. As such, if the intent of the above noted exemption is to capture all RRAP-approved developments, including ownership, then the language of the proposed by-law should be clarified accordingly. In addition, the Background Study should include a detailed consideration of the following:

- The City's Official Plan specifically calls for incentives for both affordable ownership and rental housing, such as exemptions from development charges
- The City's proposed affordable housing strategy, *Housing Opportunities Toronto* (HOT) includes a proposal to "provide enhanced tax deferrals/rebates and other support to help lower-income homeowners purchase and stay in their homes". In this regard, HOT establishes a specific target of assisting 10,000 households, over the next 10 years, to purchase their first home.
- RRAP is administered by the City on behalf of CMHC. As you may know, CMHC's impressive and comprehensive incentives for affordable housing initiatives, including RRAP, are equally targeted towards affordable rental *and* ownership housing.

Given the above noted priorities, the Background Study should also give consideration to broader support for affordable ownership and rental housing, instead of restricting this relief to only RRAP-related initiatives.

Recommendation

- Language in the proposed Development Charges by-law referring to RRAP should be clarified to clearly indicate if it is referring to both rental and ownership components of RRAP. If affordable ownership housing is not included in the current exemption, the proposed exemption should be expanded to include affordable ownership housing.
- Broader support for affordable ownership and rental housing (as per Official Plan definitions), not related to RRAP initiatives, should be provided.

**Non-Residential Exemptions Continue to Be Important**

The City's competitive position with regard to non-residential development is complicated by various factors, not the least of which is the relatively high property taxes paid by Toronto businesses in comparison to other GTA municipalities. Encouraging non-residential growth benefits not only businesses, but also residents, because this new growth improves the City's fiscal sustainability and quality of life.

Recommendation

Proposed Development Charges by-law should include non-residential development exemptions.

I hope you find TREB's views helpful. We look forward to providing more detailed input as more information is provided by the City. In the meantime, if you have any questions, or comments, please do not hesitate to contact me at 416-443-8150 or [vpalmer@trebnet.com](mailto:vpalmer@trebnet.com) or Mauro Ritacca, TREB's Manager of Government Relations, at 416-443-8000 ext. 8043 or [mritacca@trebnet.com](mailto:mritacca@trebnet.com).

Sincerely,

Von Palmer  
Chief Government &  
Media Relations Officer