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Town of Aurora

Committee of the Whole Report

No. FIN25-024

Subject: Regional Rental Housing Incentive Program Participation – 120 Metcalfe Street and 26-38 Berczy Street Follow-up

Prepared by: Jason Gaertner, Manager Financial Management

Department: Finance

Date: April 8, 2025

Recommendation

1. That Report No. FIN25-024 be received; and
2. That Council approve an up to 20-year interest free deferral with annual repayments starting at the end of the first year to meet the requirements of York Region's rental buildings incentive program for the 101-103 Mosley Street and 120 Metcalfe Street and 26-38 Berczy Street developments enabling the developer to access York Region's program offerings.

Executive Summary

On February 25, 2025, Council referred report no. FIN25-003 back to staff requesting further information relating to the rent affordability of the proposed 120 Metcalfe Street and 26-38 Berczy Street developments. Staff have now consulted with these developers.

- The primary intent of the Rental Building Incentive Program is to increase the number of purpose-built rental units within York Region
- York Region's Rental Building Incentive Program's defined affordable rent amounts represent the maximum average rent that must be achieved for each rental unit size category
- A more in-depth analysis was undertaken of each development's proposed rental unit rates

- The Town received an alternative incentive proposal

Background

Report no. FIN25-003 - Regional Rental Housing Incentive Program Participation – 120 Metcalfe Street and 26-38 Berczy Street was presented to Council for its consideration at its Committee of the Whole meeting on February 11, 2025. On February 25, 2025, Council referred this report back to staff requesting that staff report back to it with more detail pertaining to the composition of each proposed rental building's individual unit rental rates to be viewed with an affordability lens.

Analysis

The primary intent of the Rental Building Incentive Program is to increase the number of purpose-built rental units within York Region

In support of this policy York Region notes that York Region has the lowest supply of rental housing across the Greater Toronto and Hamilton Area with rental units representing just 18 per cent of its total housing stock. The primary objective of the Rental Building Incentive policy is to increase the rental unit supply in York Region. Further, this policy strives to incentivise rental developments that are affordable to moderate income households. Other policy objectives include supporting more complete communities by offering a range of housing options and to promote live/work within the Region.

York Region's Rental Building Incentive Program's defined affordable rent amounts represent the maximum average rent that must be achieved for each rental unit size category

York Region's rental building policy's identified rent ceilings represent an average that must be met for each apartment size category (studio/bachelor, one bedroom, two-bedroom, three bedroom). Meaning individual unit rental rates may differ within a given apartment size category; some may be below, and others above the average required rate. The larger the number of units within a given apartment size category, the more diverse individual unit rents can be.

This policy defines an affordable rent as 175 per cent of the average market rent for all York Region municipalities as calculated by the Canadian Home Mortgage Corporation (CHMC). The Town of Aurora considers an affordable rent to be 125 per cent of the average rental market rent. Table 1 presents a summary of the affordable rent

thresholds based upon the average market rent for all York Region municipalities as of October 2024. For comparison purposes, Table 2 presents a similar summary based upon the average market rent for only Aurora.

Table 1
Affordable Rent Summary for York Region

	Affordable Average Rents*			
	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Average Market Rent (AMR) for York Region	1,184	1,610	1,908	2,205
125% of AMR – Considered Affordable	1,480	2,013	2,385	2,756
175% of AMR – YR Policy	2,072	2,818	3,339	3,859

* Based upon an average market rent (AMR) as of October, 2024

Table 2
Affordable Rent Summary for the Town of Aurora

	Affordable Average Rents*			
	Studio	1 Bedroom	2 Bedroom	3 Bedroom
Average Market Rent (AMR) for Aurora ONLY	1,393	1,895	2,072	2,255
125% of AMR – Considered Affordable	1,741	2,368	2,590	2,818
175% of AMR	2,438	3,316	3,626	3,946

* Based upon an average market rent (AMR) for Aurora ONLY as of October, 2024

A comparison of Tables 1 and 2 reveal that the Town of Aurora's average unit rental rates are higher than the York Region average due to its limited rental unit supply versus the demand for rental units in Town.

The average market rents for York Region municipalities will continue to be subject to regular change, driven by many variables such as the cost of home ownership, economic conditions and the rental unit supply within each municipality.

A more in-depth analysis was undertaken of each development's proposed rental unit rates

As requested by Council, Staff obtained further detail from each developer pertaining to their planned rental rate mixes by apartment type. These rental rates were then analyzed through two primary lens' being eligibility under York Region's Rental Building Incentives Policy, as well as ability to meet the Town of Aurora's defined affordable rental rate thresholds.

Staff confirmed that both developments are able to meet the affordable rent thresholds as defined under York Region's policy. Tables 3 and 4 present a summary of each development's proposed average rental rates versus the policy's requirements.

Table 3
26-38 Berzcy Development Rental Rate Summary

Apartment Type	Average Rent	175% AMR	Meets Policy
One Bedroom	2,398	2,818	Yes
Two Bedroom	3,207	3,339	Yes
Three Bedroom	3,765	3,859	Yes

Table 4
101-103 Mosley Street & 120 Metcalf Development Rental Rate Summary

Apartment Type	Average Rent	175% AMR	Meets Policy
Studio	1,787	2,072	Yes
One Bedroom	2,398	2,818	Yes
Two Bedroom	3,137	3,339	Yes
Three Bedroom	3,592	3,859	Yes

Further, it was confirmed that some of the units within these developments will be offered at rental rates aligning with the Town's definition of affordability being 125 per cent AMR. The 26-38 Berzcy development estimates that it will offer approximately 36 per cent of its one-bedroom and 2% of its two-bedroom units, or 29 per cent of all its total proposed units, at rental rates aligning with the Town's definition of affordability. The 120 Metcalf Development estimates that it will offer 45 per cent of its one-bedroom

units, or 23 per cent of its total proposed units, at rental rates consistent with the Town of Aurora's affordability definition.

The Town received an alternative incentive proposal

The Town recently received an alternative incentive proposal from one of its potential rental building developers. Alternatively, it was proposed that 50 per cent of the total DC Payable for the development be paid up front at the building permit issuance stage of the development. The Town would then defer the remaining DC payable amount for a period of up to 20 years interest free without an annual repayment requirement. The DC deferral period would be determined as per York Region's policy criteria.

Under this alternative, the Town would access 50 per cent of the DC payable's cash flows immediately, with the remaining payable amount to be fully received at the end of the DC deferral period. Having immediate access to 50 per cent of the DC payable would better position the town to address the infrastructure growth needs of the development, as well as reduce the potential amount of debt financing needed. The Town would lose access to the remaining 50 per cent component of the DC payable until the end of the DC deferral period.

York Region has since deemed this alternative incentive to not be equivalent to the incentives offered by its Rental Building Incentives Policy. As a result, if offered, a developer would be unable to access the incentives offered by York Region under this policy.

Advisory Committee Review

None

Legal Considerations

The *Development Charges Act* permits municipalities to defer development charges for rental buildings. As mentioned in this report, York Region has a rental building incentive program that requires the Town to provide similar or better incentives to enable these developments to access the program.

Financial Implications

Should both developments proceed, and the offered incentive accepted, the Town will defer approximately \$15.6 million in development charges for a period of up to 20 years

to be determined as per the policy. Any development charges deferred under this policy will be repaid in equal installments over the duration of the deferral period interest free. It is recommended that Council approve the Town's offering of the proposed incentives to these two developments.

If constructed, these developments will result in additional tax levy revenue for the Town. Since these developments are infill in nature, the additional property taxes generated should be sufficient to offset the incremental Town service costs related to these developments. The amount of the taxes collected will be based on the final assessed value as determined by the Municipal Property Assessment Corporation.

Communications Considerations

There are no communications considerations as a result of this report.

Climate Change Considerations

There are no climate change considerations arising from this report.

Link to Strategic Plan

This report supports the Strategic Plan goal of Supporting an exceptional quality of life for all through the Strengthening the fabric of our community objective. Through the offer of incentives for these developments, the Town supports the creation of 1,150 new rental residential dwellings within the Town of Aurora, increasing housing opportunities that assist in achieving growth targets while providing housing opportunities for everyone.

Alternative(s) to the Recommendation

1. Council provide direction.

Conclusions

Council requested that staff report back to it with more detail pertaining to the composition of each proposed rental building's individual unit rental rates to be viewed with an affordability lens. Upon review, it was confirmed that both of these developments are able to meet York Region's Rental Building Incentive Policy requirements. In addition, these developments estimate that they will offer

approximately 25 percent of their total proposed units at rental rates consistent with the Town's definition of affordability.

Attachments

None

Previous Reports

FIN25-003, Regional Rental Housing Incentive Program Participation – 120 Metcalfe Street and 26-38 Berczy Street, February 11, 2025

Pre-submission Review

Agenda Management Team review on March 20, 2025

Approvals

Approved by Rachel Wainwright-van Kessel, CPA, CMA, Director, Finance

Approved by Doug Nadorozny, Chief Administrative Officer