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July 10, 2019

Attn: Hon. Steve Clark
Ministry of Municipal Affairs and Housing
17th Floor, 777 Bay St.
Toronto, ON M5G 2E5
steve.clark@pc.ola.org

Re: Bill 108: *More Homes, More Choice Act* – Changes to the *Development Charges Act*, Planning Act and Local Planning Appeals Tribunal Act; and the introduction of Community Benefits Charges

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Schedule's 3, 9 and 12 of the *More Homes, More Choice Act* introduced amendments to the *Development Charges Act*, *Local Planning Appeals Tribunal Act* and *Planning Act*; as well as replaced the former concept of 'Bonusing' with a Community Benefits Charge. These amendments were made in an attempt to reduce development costs and provide more housing options; helping to make housing more attainable for the people of Ontario. While we are supportive of the intent of these amendments, the 'devil is in the details' and implementation through regulatory changes could result in housing that is less affordable than ever before.

Changes to the *Development Charges Act*
Drewlo Holdings Inc. agrees with the Province's assessment; development charges are a major demand on the cashflow of new development – particularly for cost-sensitive forms of housing such as purpose-built rental. The introduction of deferred payment and a development charge 'freeze' were concepts that we sincerely supported upon release of Bill 108. However, upon review of the proposed regulatory changes, it appears that these changes only introduce a new obstacle.

Amendments to the *Development Charges Act* in Schedule 3 of the *More Homes, More Choice Act* provide an avenue for municipalities to charge interest on development charges payable during deferral as well as to charge interest during the development charge 'freeze'. Further, the Minister is NOT proposing to prescribe a maximum interest rate through regulations. We recognize that the ability to charge interest creates an additional funding stream for Municipalities and creates incentive for development to proceed, however:

- Interest will add additional cost to development and it may, in fact, be cheaper for the developer to market-finance; and
- Allowing municipalities to charge interest on deferred development charges <u>does not</u> help cashflow as intended. A side effect of long-term deferral is reduced borrowing capacity. Delayed payment reduces the annual income of the project and significant reduces overall financing available.

Unless interest rates are prescribed at a value that is submarket, the deferral/freeze provides no benefit to the rental provider and will result in prepayment of development charges.

Through amendments to Section 26 of the Act, development charges are 'frozen' at the time of Site Plan application; a change that provides greater certainty to development and is highly supported by rental

housing providers. As proposed, regulatory change would establish the period for which the 'freeze' would apply. It is proposed that development charges would be 'frozen' until two years from the date the site plan application is approved.

We believe the intent is to 'freeze' the development charge rate upon site plan application until the time that a building permit is issued. The proposed two year period will ensure development maintains momentum. We are supportive of this change, as it will create greater certainty in development; particularly for cost-sensitive forms of housing such as purpose-built rental. Based on review of the amendments and perceived intent, we believe the regulation should be worded to ensure the intent, as stated above, is clearer.

Community Benefits Charge
The introduction of the Community Benefits Charge through amendments to the *Planning Act* under Schedule 12 of the *More Homes, More Choice Act* establishes "a new community benefits approach to ensure that developers pay for community benefits like parks, community centres and libraries"; soft services that were previously collected through Development Charges. While we are strong proponents that 'growth must pay for growth', we have significant concerns with the proposed implementation of a Community Benefits Charge and would offer the following comments:

- **Show a direct connection to growth** - We agree that 'growth must pay for growth' and would implore the Province to implement regulations that strictly stipulate what can and cannot be collected through the Community Benefits Charge; ensuring that charges show a direct connection to growth. The cost is ultimately passed to the end user - the homebuyer or tenant. Without strict regulations, the Community Benefit Charge will only become an additional fee contributing to housing unaffordability in Ontario.
- **Cap the Calculation of CBC** - Proposed regulations regarding formulas to determine the Community Benefits Charges are concerning and introduce an element of uncertainty to the cost of development - particularly for development outside the GTHA. It is proposed that a range of percentages will be prescribed to take into account varying values of land. We recognize that the Ministry intends to consult on the proposed formula later in the summer, however calculation is tightly intertwined with the overall process and should be consulted concurrently to ensure coherence. A percentage cap of land value needs to be clearly calculated as it is our worry that it will be open for future abuse.
- **Dispute method requires efficiency** - The process to establish a Community Benefits Charge needs to be efficient, and should be contestable to the Local Planning Appeals Tribunal (LPAT) to ensure compliance with Legislation and the Regulations. The intent of this charge is to provide community benefit, not delay development.
- **Need clear simple method of valuation** – There should be a clear method of property valuation which should also be appealable to LPAT to avoid disagreements regarding the value of land and thus the amount of Community Benefit Charge payable.
- **Need for transition out of 'Bonusing'** - Appropriate provisions and requirements need to be established to transition out of a world where the developer has been held hostage through 'Bonusing'. Many municipalities, including the City of London, implemented Bonusing as a form of extortion. Developers are now left with Official Plan's and Policy documents that have effectively down-zoned the entire planning area. For example, the London Plan (the Official Plan document for the City of London) stipulates a maximum height of 20 storeys within the Downtown; this height could be further increased to 35 storeys through Bonusing. Without direction from the Province that mandates the review and revision of Official Plans and associated documents, development will be stifled. We recognize that a comprehensive review of Official Plans would be a long process, which would only result in further strain on supply and rising housing costs. We propose a temporary fix to provide 'as-of-right' zoning up to the maximum height previously permitted through 'Bonusing'.

Changes to the *Planning Act*
Drewlo Holdings Inc. commends the Province on the changes to the *Planning Act*, particularly changes in relation to the timelines that applications should be processed. We implore the Province to make these

changes effective immediately. Additionally, we are supportive of the amendments which further encourage secondary suites, allowing individuals to enter the rental market.

However, there were a number of significant issues that were not addressed through Bill 108. Drewlo Holdings would like to highlight two important issues that still require attention:

- Section 22 (2.1) and 34 (10.0.0.1) of the Act, stipulate that there shall be no appeal for two years after the passing of an Official Plan or Zoning By-law.
- Section 17 (36.5) of the Act stipulates that, where the approval authority is the Minister, there is no avenue for appeal of an Official Plan.

We request the Minister consider amendments to the Sections mentioned above as they cause unnecessary red-tape and delay to development applications, contributing to unattainable housing in Ontario.

Changes to the *Local Planning Appeals Tribunal Act*
Amendments made the *Local Planning Appeals Tribunal Act* through Schedule 9 of Bill 108 are steps in the right direction to reduce the red-tape and delays currently experienced in the appeal process. We commend the Province for the changes made.

Drewlo Holdings Inc. would like to further highlight that in order to make significant change additional staff are required immediately to eliminate the backlog of currently applications. We look forward to seeing the positive influence of the proposed funding to hire more adjudicators.

We appreciated the Province's desire to improve the development process in an attempt to tackle Ontario's housing crisis. We hope that through consultation the subsequent regulatory changes result in procedures that achieve the desired goal.

Sincerely,

Allan Drewlo, President
Drewlo Holdings Inc.