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April 20, 2020

Attn: Hon. Minister Steve Clark
Minister of Municipal Affairs and Housing
17th floor 777 Bay St.
Toronto ON N5G 2E5

Re: Response to Proposed Regulatory Matters Pertaining to Community Benefits Authority (ERO Posting No. 019-1406)

Dear Hon. Minister Clark,

As one of Southwestern Ontario's largest home builders, the Ironstone Building Company has the primary goal of providing people with exceptional homes at reasonable prices. Ironstone was established in 2010 by David Stimac and Allan Drewlo, who together have over 40 years of building expertise and have constructed several hundred homes through Stoneridge Homes Inc., and Drewlo Holdings Inc. respectively.

The *More Homes, More Choice Act* addressed a number of barriers impacting the cost and speed of delivering new housing. The concept of a Community Benefits Charge was introduced as an outcome of the Housing Supply Action Plan. One goal of that plan was to address the housing crisis; as "the cost of buying a home is becoming out of reach for many and affordable rentals are too hard to find". The current CBC proposal undermines much of the positive momentum that this government has boldly undertaken. If critical adjustments are not made, implementation of the proposed CBC will only push housing further out of reach for Ontarians.

While we understand that the intent of the CBC was to replace the unpredictable nature of "bonusing", the proposed solution is trading one problem for another. Majority of low-rise residential development and the 'missing middle' was never subject to "bonusing" negotiations. The proposed Community Benefits Charge will add significant costs to housing, particularly for low to medium density stock.

If implemented, the proposed Community Benefits Charge (CBC) has potential to seriously harm the housing and development industry. This proposed charge will drastically increase the cost of living in Ontario, pushing housing further out of reach.

The Ironstone Building Company strongly cautions the Province against implementing the proposed Community Benefits Charge, as it is counter to the intent of the *Housing Supply Action Plan* and will seriously impact the cost of housing in Ontario. We offer the following comments to be considered in the review of the proposed Community Benefits Charge and associated regulatory matters:

1. First and foremost, the Province should reconsider implementation of the Community Benefits Charge as it will negatively impact housing in Ontario.

2. Land valuation should be determine as of the day before approval, instead of building permit issuance.

3. Land value is not an appropriate method to calculate fees by; it is volatile and unpredictable. The CBC should be an established fee, similar to the Development Charge that is determinable, early in the process, based on the number of units and unit type.

4. While propositioned as a way to make development more predictable, the CBC will only add uncertainty and additional costs to housing in Ontario. This is contrary to the intent of the *Housing Supply Action Plan*, the *More Homes, More Choice Act* and the goal of this review.

5. There is inherent duplication in creating a new fee that mimics an existing charge. Community Services related to growth are eligible to be collected through the Development Charge; so why establish a new fee and additional processes?

6. There is no clear evaluation for the level of community services to be provided. This leaves too much room for interpretation. Like the list of eligible services provided under the *Development Charges Act*, a similar list should be established for the Community Benefits Charge.

7. And finally, the benefit to existing residents is being completely ignored. The 10% deduction to community services under the *Development Charges Act* needs to be reapplied and a similar deduction should be applied to the Community Benefits Charge to account for benefit to existing ratepayers.

Further explanation and justification of the above-noted comments is provided in detail below.

The introduction of a Community Benefits Charge was originally propositioned as a way to make the costs of development more predictable. The initial proposal was to amalgamate Parkland Dedication, Density Bonusing and the 'Soft/Discounted' services into one "predictable" fee.

<u>Using Land Valuation</u>

Issue #1 – When Valuation is Determined

Prior to proclamation of the *More Homes, More Choice Act*, 5% of development land was to be conveyed to the municipality as Parkland dedication. This was either achieved through the conveyance of actual land or a cash-in-lieu payment. Per Section 51.1 subsection (4) of the Act, the value of land, for plans of subdivision, was determined as of the day before draft plan approval.

The difference in land valuation, particularly for plans of subdivision (low density residential), is significant. "Building Permit Ready" land, which is by definition fully serviced, has a drastically higher value then "Approved" land.

Using London as an example…

PARKLAND	5% Land Value	Valuation determined day before…	Difference
Current	~$750 per lot	Draft Plan Approval	*baseline*
Proposed	~$6,700 per lot	Building Permit Issuance (servicing complete)	Almost $6,000 in additional costs per lot (only 5% parkland portion)

Issue #2 – Determining Valuation through Appraisal

The proposed land valuation is of further concern when considering how parkland rates are determined in practice - particularly for site plan applications (the 'missing middle'). The Act grants municipalities the authority to pass a by-law establishing rates for parkland cash-in-lieu; rather than requiring appraisals for each property. Most municipalities have enacted by-laws to this effect. This not only provides predictability to developers but the actual rates imposed are considerably less than what would be executed if land valuation were used.

For example: London's CP-9 Parkland Dedication By-law sets parkland conveyance rates based on the number and type of units proposed.

147 Units	Parkland $$	Valuation based on…	Proposed CBC
London Policy	$80,850	$550 per attached apartment unit	*baseline*
5% before Building Permit	$147,000	5% of $20,000 per unit	$66,150 increase $450 per unit (5%) + $2,000 for the remaining CBC (10%)

Issue #3 – Land Value is Unpredictable

The value of land is volatile. We are all aware of how much land prices have skyrocketed over the past few years and are all nervously awaiting the impact of COVID-19. To expect municipalities to forecast revenue from CBC collection or for developers to predict CBC rates is ridiculous, and creates uncertainty throughout the development process.

Developers should be able, as is the case with Development Charges, to calculate the fee based on the number of units and unit type. This should be determinable early in the process. Tying a fee to land value is unnecessary and unpredictable.

<u>Replacing "Bonusing"</u>

While the introduction of the CBC was a direct response to complaints that Density Bonusing was unpredictable, the Province has failed to consider that exercising the use of "bonusing" was at the discretion of the developer. The proposal has replaced a voluntary option with a mandatory charge; this is contradictory to the notion of 'making housing more affordable'.

For example: Ironstone recently entered into a Section 37 agreement with the City of London. It has been our experience that the benefit of extra density exceeded the 'cost' of "bonusing".

	Units allowed through Zoning	Units permitted through Bonusing	Est. "Cost" of Bonusing	Details of Bonusing	Benefit of extra density
London	110 units	147 units (37 extra)	Short term -Approx. $250,000	4 affordable units (85% CMHC AMR) for 15 years	37 extra units (value of extra units exceeds the 'cost')

Attention should be directed to why lands are being 'down zoned', and efforts re-directed to correcting that issue. Lack of adequately zoned land is what enabled abused "bonusing" negotiations by certain municipalities. Eliminating "bonusing" without addressing this issue will significantly decrease the amount of new housing stock coming to market, particularly in the form of the 'missing middle'.

<u>Why Establish a New Fee</u>
The *Development Charges Act* allows for the collection of fees to fund capital costs associated with growth. This includes increases in community services <u>that are growth related</u>.

The proposed Community Benefits Charge is structured to mirror the processes already in place for DC's and growth-related increases for community services can currently be funded by Development Charges; so why establish a new fee?

<u>Community Benefits Charge Strategy</u>
The proposed strategy is similar to that of a Development Charge Background Study. However, there is no clear evaluation of the need for services under the proposed CBC framework versus a more robust Development Charge framework within a background study under the *Development Charges Act* – which is tied to the municipal capital projects related to growth.

The anticipated type, amount and location of development or redevelopment should be mandated to be the same as what has been assessed through the Development Charge Background Study. The Province should consider exempting the types of development listed in Section 26.1 Subsection (2) of the *Development Charges Act* (including rental housing).

Additionally, the Province needs to establish a calculation to determine the maximum parkland per person within a municipality. Without this guidance the process could be subject to abuse which would result in appeal and a further strain on the Local Planning Appeals Tribunal (LPAT).

While basing the structure on that of the Development Charge Background Study makes sense, there is inherent duplication and therefore unnecessary additional costs. This further lends to the question, "why establish a new fee?"

<u>Benefit to Existing Residents</u>
The draft regulation would result in the removal of the 10% mandatory deduction which recognizes the benefit of these services to existing ratepayers. Similarly this benefit has not been considered for the Community Benefits Charge.

The 10% reduction previously applied under the *Development Charges Act* must be applied to recognize the benefit of the services to existing ratepayers. Services being discussed are intended to be a Community benefit, therefore the cost should be properly allocated across the Community – it should not be fully borne by new homebuyers.

The Ironstone Building Company applauds the Province for recognizing the constraints on housing supply and for their efforts to reduce red tape. We appreciate the Province's commitment to continued and detailed consultation on the proposed Community Benefits Charge. We hope that the feedback provided here will be seriously considered. It is critical that the Province address the significant issues outlined in this submission before implementing proposed Community Benefits Charge.

Thank you for taking the time to review our concerns.

Sincerely,
IRONSTONE BUILDING COMPANY

Dave Stimac, President

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