

December 6, 2022

Ministry for Municipal Affairs and Housing
College Park, 17th Floor, 777 Bay St.
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**Re: Proposed Planning Act and Development Charges Act, 1997 Changes: Providing Greater Cost Certainty for Municipal Development-related Charges
Consultations on More Homes Built Faster: Ontario's Housing Supply Action Plan 2022-2023**

We, the undersigned at the Centre for Urban Research and Land Development at Toronto Metropolitan University, agree with the underlying premise that reduced municipal-imposed costs on developing new housing and greater cost certainty will reduce housing prices and rents in the longer run. Moreover, these efforts complement the many proposed actions to increase the housing supply and its mix.

We support the parkland proposals to provide greater cost certainty, more efficient land use, provide parks more quickly and building transparency. However, we have concerns with the piecemeal approach proposed for changes to development charges. We believe more fundamental reform should be contemplated to the current development charge regime, which should apply to all new housing, not just affordable housing.

We recommend that the development charges be significantly reduced by removing water and wastewater infrastructure improvements from the costs. Also, it is reasonable that a large proportion of growth-related capital infrastructure should be funded by the federal and provincial governments and the municipal taxpayer base, recognizing that residents and businesses in the broader community benefit from new housing development.

Our specific comments and recommendations on the development charge proposals follow.

Reduce development costs to enable more housing to be built faster

- The proposals for changing how development charges are calculated and phased and the eligible costs will have only a modest impact on the development charges per unit.
- Instead, we recommend the consideration of two substantive changes to the present development charge regime:
 - Requiring municipal water and wastewater utilities to integrate growth-related capital expenditures into their user charges, thereby introducing full-cost pricing to their customers; and
 - Significantly raise the share of growth-related infrastructure funding by the federal and provincial government and the municipal taxpayer base to recognize the broader community benefits generated by new development.
- [A CUR study](#) examining how growth-related water and wastewater infrastructure is funded in the Greater Toronto and Hamilton Area concluded that user charges should be the funding source

rather than development charges.¹ There would be several benefits to the broader community from this change:

- Better matching of infrastructure costs and the beneficiaries of urban economic growth;
 - Increased economic efficiency and environmental benefits through reduced consumption of water and wastewater over the entire user base;
 - Increased housing affordability; and
 - More equitable treatment of water and wastewater users residing in the existing building stock and the occupants of the new development.
- [A CUR Urban Digest](#) argued it is time to change the "growth must pay for growth" mantra of Ontario municipalities to "beneficiaries must pay for growth". This change is consistent with the benefit principle of economic theory that forms the basis of the application of user charges. In the case of urban development, there are two distinct beneficiary groups: the new development and its owners and occupiers and the larger community, which can extend to the country as a whole:
 - Investment in infrastructure is an essential source of economic growth and productivity which benefits many parties beyond just the owners of new buildings; and
 - The provincial and federal governments generate substantial revenues from residential construction. Using Oakville as an example, it estimated that 56% of government charges of all types imposed on new single-detached houses ended up in the coffers of the two senior governments, with municipalities receiving the remainder.

Encourage the supply of rental housing

- The proposal is to reduce development charges on purpose-built rental projects from 15% to 25%, depending on the number of bedrooms. However, the measure alone is not expected to add much to the viability of new rental projects or convince developers to build larger suites.
- We urge the Province to seriously consider reducing development charges for all residential development, not just rental housing.

Encourage the supply of affordable housing

- The proposal is to exempt new affordable ownership and rental housing in developments subject to inclusionary zoning and non-profit developments from development charges, community benefits charges and parkland dedication requirements (exactions). These exemptions would provide a powerful incentive to build affordable housing units.
- The proposal has two significant potential impacts:
 - It reduces the cost of housing for the households occupying the units, thus making them more affordable; and
 - It increases the stock of affordable units.
- Government and non-profit providers do not set their prices/rents relative to the prevailing market prices as developers but rather base them on a cost. Therefore, as costs are lower without the exactions, these units can be provided to eligible households at lower rents and prices.
- Also, as these exaction costs will be removed from the cost component of the pro forma analysis of private developers of inclusionary zoning housing, some previously not financially feasible projects may now be viable. The result will be an increase in the supply of affordable units.
- We suggest that the exemptions should apply only to affordable projects owned by governments and non-profit groups with the proviso that affordability is maintained over the life of the buildings.

¹ This has also been proposed by David Amborski (2011). "[Alternatives to Development Charges for Growth Related Capital Costs](#)", RCCAO, and by Ben Dachis (2018). "[Stop Hosing the Homeowners with Water-Related Development Charges](#)" CD Howe Institute.

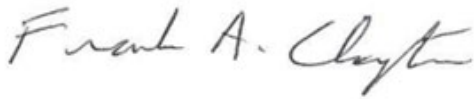
- Providing subsidies to developers and investors for privately provided affordable housing is not recommended since the housing could be converted to market housing at a finite date (e.g., 25 years) with a loss in the affordable housing stock.
- Again, we recommend that development charges be significantly reduced for all housing, market and affordable.

Encourage the supply of attainable housing

- The proposal is to provide the same incentives for attainable housing as for affordable housing. We suggest that "attainable housing" not be pursued at this time as affordable housing is the most severe problem to address.
- [A recent CUR study](#) found that most lower-income households in the GTA have an affordability problem but not an issue of housing suitability or adequacy. For example, in 2016, 87% of renter and 96% of owner households in Core Housing Need only had an affordability problem.
- We, therefore, suggest that "attainable housing" not be pursued at this time so as not to dilute attention from the need to increase the housing supply significantly and improve affordability.

If you have any questions about our submission, don't hesitate to get in touch with us.

Sincerely,



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