



December 9, 2022

Hon. Steve Clark, Minister of Municipal Affairs and Housing
Ministry of Municipal Affairs and Housing
minister.mah@ontario.ca

Hon. Sylvia Jones, Deputy Premier, Minister of Health
Sylvia.Jones@pc.ola.org

At its meeting held on December 8, 2022, Dufferin County Council passed the following motion:

THAT the report of the Chief Administrative Officer, dated December 8, 2022, regarding the submission to ERO regarding Bill 23, be received;

AND THAT Council direct staff to submit the attached submission and circulate the correspondence to the Minister of Municipal Affairs and Housing and the local MPP/Minister of Health;

AND THAT Sylvia Jones, Deputy Premier, Minister of Health, MPP Dufferin-Caledon, be asked to attend an upcoming Council meeting to address Council regarding Bill 23, More Homes Faster Act, 2022.

-Carried-





November 23, 2022

ERO number: 019-6172

Ministry of Municipal Affairs and Housing

To whom it may concern,

Re: Comments on *Development Charges Act* Changes Proposed in Bill 23

This letter addresses the amendments to the *Development Charges Act* (DC Act) contained in Bill 23 from the perspective of the County of Dufferin. Although the County of Dufferin supports measures to increase supply and improve housing affordability, it is unclear that these proposed DC Act changes will be effective in achieving this goal. Further, these changes are likely to create significant financial challenges for municipalities and may have the unintended impact of delaying infrastructure projects necessary to support growth. Below is a breakdown of concerns with the proposed changes to the DC Act, examples of the estimated impacts on Dufferin County and recommendations.

Timing and Scope of Legislation

The introduction of Bill 23 the day after the 2022 municipal election accompanied by a short-deadline for participation in committee hearings and a 30-day commenting period to the Environmental Registry did not allow for municipal council discussion and analysis. With November 15 being the earliest possible date for new councils to be sworn into office, there was virtually no opportunity for councils to weigh in and make representation at the committee hearing. Many of our local Councils in Dufferin County are not yet sworn in and County Council cannot officially assume their duties until all eight local Councils are in place. County Council will be sworn in on December 8th, well past the committee hearing date and the initial commenting deadline. The extension of the commenting deadline to December 9th has allowed County Council to review this submission; however, it is extremely disconcerting that the bill was passed in advance of this date on November 28th, 2022.

Although, the specific concerns relayed in this letter relate only to the proposed DC Act changes; Bill 23 is an omnibus bill with far-reaching, permanent implications for municipalities and Ontarians as a whole. The short time frame and limited consultation for municipal councils to understand and provide feedback, severely impacts our duties as policy makers, community representatives, and stewards.

Recommendation: Continue to review submission made after November 28th, 2022 and be prepared to make future amendments to the *More Homes Built Faster Act* after considering the municipal perspective. All relevant information should form part of the decision-making process and is key to good governance, accountability and transparency.

Phase-in of New Development Charges

Benefit to new home buyers unclear: The phase-in of new development charges over a 5-year period will be costly to municipalities and property tax payers with no requirement to ensure the savings are passed on to new home buyers. There is little evidence to show that development charge changes will reduce the price of homes. In addition, there is little transparency for new home owners as the development charges are generally built in to the price of the new home. Although the benefit to new home buyers is unclear, it is evident that the phase in will mean a loss of revenue for municipalities that will need to be made up through property taxes.

Phase-in is excessive and punitive to municipalities: The phase-in provision does not just apply to the increase in DCs but to the whole charge (including non-residential). Should a charge increase by 10%, the 20% phase in would effectively result in a decrease in the Development Charge payable on all development. It would take 2 years just to get back to the previous rate. This unnecessarily reduces municipal revenue when the DC rate is relatively stable.

Retroactivity: Requiring retroactivity of the phase in to by-laws passed after January 1, 2022 unduly impacts some municipalities more than others. The County of Dufferin passed the most recent DC By-law on June 8, 2022. The background study for this bylaw, the public consultation process and review and analysis were done in good faith and represent compliance with the DC Act at that time.

The County of Dufferin will be significantly impacted by the proposed phase-in provision and the retroactive clause. It is estimated that a phase in of the current charge would result in over \$540,000 in lost DC revenue over the next five years for those remaining eligible costs. This amount is based on the DC eligible projects in the current background study assuming equal building activity over the next ten years. This phase in process will then be restarted when the next DC Bylaw is introduced in 5 years (the new 10 year DC Bylaw period only applies to bylaws passed after November 28, 2022) leaving only 1 year of full collections before another 20% reduction is required.

Although the County is the only municipality in Dufferin to be immediately impacted by this proposed change, all local municipalities will see the impact as new by-laws come into

effect. For example: Using the current eligible costs Shelburne estimates a loss of about \$810,000 post 2025.

Recommendation: Reconsider the phase-in and retroactive provision. Should some form a phase-in continue, it should apply only to increases in the charge and be limited to residential buildings for a 2 year period, to be effective on the date of Royal Assent.

Removal of Studies as an Eligible Cost

The change in definition of eligible capital costs to eliminate studies will shift these costs to the municipal levy where they will be need to be prioritized with other expenditures. These studies are essential for determining the infrastructure required to support growth. Delays in these studies due to a lack of funding may ultimately lead to delays in infrastructure construction and consequently housing builds.

In Dufferin County, the elimination of this charge will result in additional tax levy costs of well-over a million dollars in the next few years. For the County itself, there are currently \$815,000 in studies required in 2023. Although, studies remain eligible in the current bylaw they are subject to the phase in reduction and will be completely eliminated for all future DC Bylaws. There are impacts for local municipalities as well. Shelburne estimates \$533,750 for future studies would no longer be covered by DCs. Grand Valley currently has studies valued at \$315,000 (with about \$205,000 still to be collected) in its By-law which expires in 2024. The cost for future studies is not known at this time; however, given that Grand Valley has been identified as the primary location for growth in Dufferin County, it is likely that additional studies needed to support infrastructure related to growth will be required going forward. In Mulmur Township, collections for studies average about \$20,000 annually. East Garafraxa collects about \$5,000 annually.

Recommendation: Reconsider studies as an eligible cost. These studies form the basis of long-term capital growth and infrastructure plans. The need for these studies is largely driven by development and should be paid for by development.



Potential Removal of Land as an Eligible Cost

Prohibiting development charge revenue to be used in the acquisition of land required for growth related projects is very likely to delay these projects as land acquisition is the first step in planning and building new infrastructure. Without the necessary infrastructure, housing will be delayed or in some cases building may proceed only to later be confronted with challenges resulting from a lack of infrastructure.

Dufferin County has eligible costs of \$1.9 million for land in the DC Background study. It is unclear at this time if this will remain an eligible cost.

Recommendation: Maintain land required for growth related infrastructure projects as an eligible capital cost.

Removal of Housing as an Eligible Service

The removal of housing as an eligible service from the DC Act likely signals an end to new municipal/community housing builds. Without the development charge revenue to support these projects, municipalities will not have sufficient funds to move forward. Arguably, building more social or community housing is the only way to ensure an inventory of affordable housing for low income Ontarians. Shifting the building of “affordable” housing to private developers, where affordable is defined as 80% of the going market rate, will still not be attainable for many. Canadian Mortgage and Housing Corporation defines affordable housing as costing 30% of a household’s gross income. Increasing the overall supply does not explicitly address the staggering lack of truly affordable units.

In the County of Dufferin, there is currently a waiting list for community housing that extends beyond seven years. The County of Dufferin has constructed 3 housing projects since 2010 and is currently using development charges to pay down the debt that was incurred for these projects. There is currently \$6,400,000 in the current background study for eligible housing services. For 2023, there is balance in the housing services development charges account that will cover the debt payment. Starting in 2024, the payment will need to come entirely from property taxes. This alone will translate to a more than a 1% increase on the County of Dufferin levy.



Recommendation: Reconsider housing as an eligible service to ensure an increase in the inventory of affordable housing units. Alternatively, provide municipalities with previous debt commitments or previously committed projects additional funding to offset these costs. Create funding opportunities for municipalities to continue to build and operate affordable housing that is geared to income.

Move to a 15-year Service Level

Extending the historical service level from 10 years to 15 years will effectively reduce the average service level in a high growth environment and further reduce the development charges available to fund infrastructure required for growth.

Recommendation: Reconsider the change and maintain a 10-year service level for calculating future development charges. Even more desirable would be to move away from historical service levels and calculate the development charges based on projected infrastructure requirements associated with anticipated population growth.

Exemptions and Discounts

The proposed exemptions and discounts for affordable and attainable units as well as the allowance for up to 3 dwellings units where one currently exists, may be beneficial in creating more mixed use and missing middle housing. Calculating the value of the reductions in development charges revenue that will result is not possible. However, the impact will be a transfer of growth-related infrastructure costs to municipal property taxes. Many smaller municipalities simply do not have capacity to absorb these added costs and therefore many of infrastructure projects needed to support the growth will be delayed or simply not pursued at all.

Recommendation: In line with recommendations from the Municipal Finance Officers' Association, develop an infrastructure funding program to offset the loss of DC revenue and ensure the required infrastructure can be built in a timely manner to support development. Another option would be a DC rebate program funded by the province.



Summary

The County of Dufferin supports the need for action to address the Housing Crisis in Ontario. This is a complex problem requiring collaboration from all levels of government. The proposed changes to the DC Act move away from the long-held position that growth should pay for growth and transfers the cost of growth-related infrastructure to the municipal property tax base. We welcome the recent communication from the Minister of Municipal Affairs and Housing to AMO that indicates “municipalities will remain whole” and look forward to an opportunity to participate in additional conversations that will allow us to work together to create a more affordable housing supply.

