

December 8, 2022

Ministry of Municipal Affairs and Housing
MFPB@ontario.ca

**Re: ERO 019-6172 Proposed Planning Act and Development Charges Act, 1997 Changes:
Providing Greater Cost Certainty for Municipal Development-related Charges**

To Whom It May Concern,

Thank you for the opportunity to provide feedback on the Ministry of Municipal Affairs and Housing's ERO 019-6172 Proposed Planning Act and Development Charges Act, 1997 Changes: Providing Greater Cost Certainty for Municipal Development-related Charges.

"Housing and affordability are intrinsically linked together. Homes are an essential need for all people, and policies should be crafted to ensure Ontarians can afford the homes they live in. It is not enough to build new homes; considerations should be made throughout the process to ensure that costs to homeowners and renters remain reasonable beyond the initial housing price. Property taxes and user fees are crafted to fund projects and programs that communities need and expect but adding more pressure onto the tax base will become increasingly costly to citizens in unexpected ways. Provincial legislation should not unduly burden homeowners and renters to guarantee the long-term success of solving the housing crisis."¹

Ontario has the highest taxes, fees, and levies in North America.² Municipalities are responsible for nearly 60% of our nation's public infrastructure construction, operation, and maintenance. Despite this, local governments only collect about 12 cents on every tax dollar paid in Canada, and capital infrastructure investment accounts for less than 20% of total local government spending.³ More than 80% goes directly to service operations and maintenance.⁴

Canadian municipalities have few direct revenue tools and rely on the taxes and fees they are permitted to collect. In comparison, most European and American cities have greater access to income and sales tax revenues. As a result, Canadians pay some of the highest rates of property tax in the world, relying on property taxes twice as much as countries in the Organization for Economic Cooperation and Development (OECD).⁵

¹ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.7

² Housing Ontario's People Everywhere (HOPE) RESCON's 15 Recommendations For Immediate Action On Housing Affordability And Supply. RESCON.p.1.

³ "Fair taxes and municipal revenues" CUPE. May 27, 2019. <https://cupe.ca/fair-taxes-and-municipal-revenues>

⁴ "Fair taxes and municipal revenues" CUPE. May 27, 2019. <https://cupe.ca/fair-taxes-and-municipal-revenues>

⁵ "Fair taxes and municipal revenues" CUPE. May 27, 2019. <https://cupe.ca/fair-taxes-and-municipal-revenues>

Development charges levied on new construction "are the primary funding source for infrastructure needed to service growth in municipalities."⁶ The loss of DC funding will necessitate re-prioritizing capital growth projects, necessitating delays or cancellations, likely to impact new housing construction. Municipalities can't rely on reserves and reserve funds to recoup these costs because most are already allocated or restricted to specific infrastructure projects by the Province.⁷ This added cost will be transferred to the tax base, which, combined with other cumulative financial impacts from provincial housing policy, will put significant pressure on property owners.⁸ "Reducing DCs and other cost recovery tools will not guarantee either lower housing prices or increased housing supply."⁹

Given that municipal governments continue to face demand for services that outstrips their ability to raise revenue¹⁰, why would this government seek to reduce development charges?

Has the government fully considered the financial impact of its changes on municipalities and their residents? An across-the-board drop in development charges does not address the inequity associated with different-sized communities where a tax base of 1 million residents may better weather a decrease than 30,000 residents. Property taxes in my community are higher than in Toronto because we have a small tax base and a significant amount of deteriorating infrastructure. Pushing mandated growth to smaller rural communities exacerbates the issue.

The proposed changes lack details on how they will save new homebuyers money and speed up housing development. Nothing is presented about developers' expected cost-savings transfers to new homeowners.

Provide greater cost certainty of parkland costs to enable housing developments to proceed more quickly

The proposed alternative maximum parkland dedication rates of one hectare per 600 instead of 300 dwelling units for conveyed land and one hectare per 1000 units instead of 500 units for cash in lieu ignore pandemic lessons about greater use and demand for parkland.

Limiting 15 percent of developable land on sites more significant than 5 hectares and 10% on sites less than 5 hectares for parkland represents a 25% and 33% decrease, respectively.¹¹

⁶ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.4

⁷ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.8

⁸ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.8

⁹ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.5

¹⁰ "Fair taxes and municipal revenues" CUPE. May 27, 2019. <https://cupe.ca/fair-taxes-and-municipal-revenues>

¹¹ Attachment 1 City of Toronto Submission to Bill 23, More Homes Built Faster Act, 2022 Consultations, November 21, 2022.p.23

These cuts will reduce parkland and revenue, ignoring the "correlation between growth, new residents, and parkland."¹²

Parks promote community integration, mental and physical health, and youth development. COVID-19 demanded safer walking and biking routes to more parks and greenspaces. These changes would ignore the public interest, reducing parkland in high-density areas. Why recommend similar-sized parkland for 5-story and 50-story buildings? ¹³ We can't cut parkland to make up for multi-level and rental housing's lack of backyards.

Parks also provide a valuable means of absorbing rainwater to curb flooding. Given recent experience, flooding occurs more regularly, and the loss of parks increases our environmental risk.

Remove Section 42 amendments mandating exemptions from parkland dedication and alternative requirements. If these changes remain, the Province should work with municipalities to develop a funding programme to offset these changes. The government must not promote affordable housing at the expense of our shared public and civic spaces.¹⁴

Support more efficient use of land and provide for more parks quickly

The government has not provided valid reasons to justify this approach. Without knowing parkland criteria, this approach is like signing a blank check without knowing the cost.

How can owner-initiated identification of land, including privately owned and encumbered land for parkland dedication, be more practical? Can developers transfer contaminated brownfield land to municipalities and taxpayers? Location, location, location requires municipalities to control the strategic allocation of parkland to ensure reasonable pedestrian accessibility.

Why identify privately owned parkland? What are the legal and social ramifications associated with this approach? Is there an actual transfer of title, or does the land remain private for restricted use? Would the private space be subject to municipal or its laws? Would decisions over the future of this privately owned parkland lie with business leaders or democratically elected municipal councillors? Would the municipality assume annual condo fees if this land was in a condo complex?

Which encumbered land would the government consider acceptable for a land transfer? Encumbered land may be less suitable and more expensive to maintain. Why should a municipality receive land that may have liens or easements? When parkland is deemed

¹² [Attachment 1](#) City of Toronto Submission to Bill 23, More Homes Built Faster Act, 2022 Consultations, November 21, 2022.p.22

¹³ [Attachment 1](#) City of Toronto Submission to Bill 23, More Homes Built Faster Act, 2022 Consultations, November 21, 2022.p.22

¹⁴ Re: Bill 23, More Homes Built Faster Act, 2022 Submission to Standing Committee on Heritage, Infrastructure and Cultural Policy. Ontario Association of Architects. November 16, 2022.

undesirable, for whatever reason, the municipality should accept cash instead, assuming they have no recourse to refuse the land or cash offer.¹⁵

As part of a proposed transfer of encumbered land, the encumbrance's owner must indemnify the municipality from all servicing, maintenance, replacement, and park reinstatement costs. A municipality should not accept these additional challenges.

The municipality, rather than the Province, should decide how to credit an encumbered or stratified parkland dedication. Full/equivalent value ignores the market value of encumbered parkland.¹⁶ Instead, the valuation must be realistic.

One can support developers and municipal planners in reviewing all potential land to determine the best fit. Still, the final decision must lie with the municipality as best representing the public's interest.

Developers can appeal municipal land decisions, but it's not an override. The review must be fair and consider the public's best interests.

Since developers may have purchased Greenbelt land and wetland as part of a more significant land tract purchase, and they should not develop this land, has the Province considered accepting this undevelopable land as a tax donation? This approach may be a way to reduce land costs when developers factor in its cost loss to remaining developable land. Receiving this land as a donation protects it from development and retains a valuable means of absorbing rainwater to curb flooding. The contribution should be based on the land value at the time of the original acquisition and not the current market value to avoid land speculation.

Build transparency and other measures to support the faster acquisition of more parks

Before passing a parkland dedication bylaw, a municipal parks plan is required, regardless of standard or alternative rates. This approach makes sense as municipalities need a strategy to identify current parkland inventory, maintenance, upgrade, and future land needs to address population growth.

Requiring municipalities to allocate or spend 60 percent of their parkland reserve balance at the start of each year "may not be suitable to municipalities with lower reserves that plan for investments beyond a 10-year horizon."¹⁷

¹⁵ [Attachment 1](#) City of Toronto Submission to Bill 23, More Homes Built Faster Act, 2022 Consultations, November 21, 2022.p.23

¹⁶ [Attachment 1](#) City of Toronto Submission to Bill 23, More Homes Built Faster Act, 2022 Consultations, November 21, 2022.pp.23-24

¹⁷ [Attachment 1](#) City of Toronto Submission to Bill 23, More Homes Built Faster Act, 2022 Consultations, November 21, 2022.p.25

Set maximum interest rate for DC freeze and deferral (prime + 1 percent)

Since municipalities may need to incur debt to recover the deferred revenue from DC freezes and installments, municipalities should be allowed to charge prime plus 1 percent or an interest rate that covers the interest on any debt incurred to cover the deferrals. Municipalities must "remain whole while maintaining stability and transparency for interest rates."¹⁸

Reduce development costs to enable more housing to be built faster

The government has provided scant evidence warranting reduced development charges paid to municipalities. Its efforts would be better spent and appreciated advocating for a more equitable transfer of federal construction taxes to municipalities or perhaps reducing federal construction taxes.¹⁹

The mandatory phase-in of DCs will see an immediate decline in revenue, jeopardizing short-term capital projects.

Extending the DC Bylaw expiration date from five to ten years reduces the accuracy and reliability of capital requirements and cost estimates for growth-related infrastructure. This extension ignores recent inflationary growth. It forces a choice between keeping reserves for potential project cost overruns and spending 60% of water, wastewater, and road reserve balances each year.

Using a historical service level of 15 years rather than ten years to calculate capital costs eligible for development charge recovery ignores its impact on rapidly growing communities. The likely result will be a decline in levels of service.

What is the justification for DCs no longer applying to housing services, especially when ERO 019-6173 discusses increasing support for affordable housing? These proposed changes will limit municipalities' abilities to support the most vulnerable community members – the homeless and underhoused.²⁰ Municipalities used the housing services component of DCs to improve and increase municipality-operated community housing facilities. What is the government's plan to address the shortfall and comply with its goal of improving affordable housing and addressing homelessness?

It defies logic to exclude growth and masterplan studies as eligible DC charges. These studies are required in rapidly growing communities to plan for growth and associated costs effectively.

¹⁸ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.10

¹⁹Housing Ontario's People Everywhere (HOPE) Rescon's 15 Recommendations For Immediate Action On Housing Affordability & Supply.
<https://cms.rescon.com/media/PDFs/Recommendations%20Housing%20Ontario's%20People%20Everywhere.pdf>

²⁰ Bill 23, More Homes Built Faster Act, 2022 and plan. AMO Submission to the Standing Committee on Heritage, Infrastructure and Cultural Policy. November 16, 2022.p.5

Planning is in everyone's best interests. If you fail to plan, you plan to fail. Studies will either not take place or necessitate funding from other sources, such as taxation.²¹ Development fees currently fund infrastructure studies and environmental assessments mandated by provincial legislation.²²

My community requires land for a new fire station. Excluding land from eligible costs will impact a municipality's ability to fund municipal operations needed to accommodate growth, such as fire and rescue.²³ What funding source does the Province recommend we use?

A more equitable approach might be evaluating the benefit of cash-in-lieu (CIL) caps to encourage more housing. CIL contributions increase with a building's density via smaller site sizes or smaller units within the same building envelope in communities without CIL caps. The value of CIL contributions may eventually exceed the value of the land. Higher per-unit costs because of higher densities will deter intensification. The public would benefit more if the Province concentrated its efforts on promoting CIL caps.²⁴

Increase transparency and accountability in the use of development charges funds

No significant impact is anticipated as funds are typically allocated within annual capital budgets.

Encourage the supply of rental housing

I support the Province's goal to *"ensure cities, towns and rural communities grow with a mix of ownership and rental housing types that meet the needs of all Ontarians."*²⁵ The challenge is ensuring the right mix, which will be community-dependent and addresses the significant backlog in long-term rental units.

Considering the number of single-family homes owned by baby boomers re-entering the housing market, more purpose-built rentals and fewer single-family homes should be built over the next ten years. Bill 23 doesn't promote rentals over single-family homes, unfortunately.

An equitable solution to forcing discounts on municipalities would entail requirements promoting elevators and rentability periods that would provide rental units for decades.

Legislation should reduce discounts of 15%, 20%, and 25% to 5%, 10%, and 15% for purpose-built rentals that are not accessible by elevator. Elevators are required by the Building Code for all structures above three stories, except stacked townhouses. An elevator is typically not

²¹ Township of Centre Wellington Staff Comment Summary - Bill 23. November 24, 2022.p.2

²² Township of Centre Wellington Staff Comment Summary - Bill 23. November 24, 2022.p.2

²³ Township of Centre Wellington Staff Comment Summary - Bill 23. November 24, 2022.p.2

²⁴ Study of Parkland Dedication and Cash-in-Lieu Policies in the GTA. Altus Group Economic Consulting. February 22, 2019.p.ii

²⁵ ERO 019-6173 Proposed Amendment to O. Reg 232/18: Inclusionary Zoning

needed for a four or six-unit rental. If this government is serious about addressing our housing crisis, it must address the accessibility issue to ensure that no one is left homeless.

To ensure that rental shortages are not passed on to future generations, discounts will be applied only to units with a rentability period of 30 years or more rather than the proposed 25 years. Allowing long-term rental units to be rented in perpetuity would provide rental units for decades. Reselling a property may restart the perpetual rentability period. Airbnb rentals would not be eligible for the discount, and any units converted to Airbnb would refund the discount.

The amendment does not mention a municipality's increased administrative costs for tracking rental housing applications. Reducing a municipality's DC revenue while increasing its application management costs adds insult to injury.

Encourage the supply of affordable housing.

The proposed amendment incorrectly defines affordable housing and makes vague references to attainable housing.

Affordability is affected by various factors, and the market price is not always reflective of what people can afford, as evidenced by the current housing crisis, in which even 80 percent of the market price remains unaffordable for many Ontarians.²⁶ Similarly, Canada Mortgage and Housing Corporation (CMHC) defines affordable housing as housing that costs less than 30% of a household's gross income.²⁷ Depending on an individual's gross income, the Province's definition of affordable housing may differ significantly from what other provinces and national associations consider affordable housing.²⁸

Based on CMHC's definition, it may be reasonable to reduce or exempt affordable housing from DCs, CBCs, and parkland dedication requirements, but excluding housing that is 80 percent of the market price is unacceptable. Denying municipalities DCs, CBCs, and parkland dedication for these units under this definition is immoral. This approach recalls Margaret Thatcher and Keith Joseph's "social market economy," in which "responsible policies work with and through the market to achieve wider social market aims."²⁹ History shows trickle-down economics doesn't work, so why does this government embrace "a flawed economic theory that is more trick than trickle" in its support of developers?³⁰

²⁶ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.11

²⁷ <https://www.cmhc-schl.gc.ca/en/professionals/industry-innovation-and-leadership/industry-expertise/affordable-housing/about-affordable-housing/affordable-housing-in-canada>

²⁸ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.11

²⁹ Why Britain needs a social market economy. Centre for Policy Studies. 1975 p.3

³⁰ "Liz Truss: a brief guide to her economic ideas and what the evidence says about them." By Simon Lee. The Conversation October 5, 2022

Gentle Density

Currently, second and third units added to a primary residential building (i.e., house) are exempt from development charges and parkland dedication requirements. However, the proposed amendment clarifies the existing regulations that were not clear.

Encourage the supply of attainable housing.

These additional residential units are already exempt from DCs. The proposed exemption from DCs, CBCs and parkland dedication requirements for a residential unit in an existing rental residential building that contains four or more residential units is fair. This exemption aligns with the exemption for additional residential units in existing homes.

Bill 23's "attainable residential unit" definition is too broad and may be misinterpreted to allow unaffordable housing to receive the same benefits as affordable housing. Given this untested definition, the Province needs to clarify what is "attainable" so municipalities can recover growth-related costs for non-attainable residential units.³¹

In summary, municipalities and the Province have long ignored our self-made housing crisis. Pursuing home ownership (that little plot of land with a house) over rental housing and intensification is unsustainable. Urban sprawl's spiralling infrastructure maintenance costs provide a near-term cash advantage (growth pays for growth) for a long-term (unsustainable) financial obligation, the perfect Ponzi scheme.³² Exclusionary zoning regulations need to end, replaced by inclusionary zoning. We must return to creating valuable, people-scaled neighbourhoods.³³

Bill 23's premise that development fees impede lowering housing costs ignores that reducing municipal charges will hurt municipalities' ability to finance growth-related infrastructure, leaving ratepayers to fill the funding gap. Moving initial housing costs to after-ownership housing costs through higher property taxes and user rates is a sham.

Despite appearances, these proposed changes do not serve the public good, instead shifting additional costs onto existing homeowners, many of whom paid them when they bought new homes.

The Province needs to conduct a complete and thorough review of their amendments' impact on future local increases in taxes, fees, and levies before implementing changes.

³¹ Bill 23, More Homes Built Faster Act, 2022 Submission to ERO #019-6172. Municipal Finance Officers' Association of Ontario. November 21, 2022.p.12

³² The Growth Ponzi Scheme by Charles Marohn. Strong Towns <https://www.strongtowns.org/the-growth-ponzi-scheme>

³³ The Growth Ponzi Scheme by Charles Marohn. Strong Towns <https://www.strongtowns.org/the-growth-ponzi-scheme>

Yours truly.