



**December 7, 2022**

**Environmental Registry of Ontario ERO 019-6172 Submission from the  
Ontario Regional and Single-Tier Treasurers**

**Proposed Planning Act and Development Charges Act, 1997 Changes: Providing Greater Cost  
Certainty for Municipal Development-related Charges  
Bill 23 – More Homes Built Faster Act, 2022**

**Key Messages**

- The Ontario Regional and Single Tier Treasurers (ORSTT) represents approximately 80% of the population in Ontario. We have a strong track record of working with the Province on a variety of matters and issues relating to municipal infrastructure, growth and asset management, and particularly with respect to the Development Charges Act (DCA) and Community Benefits Charges.
- While ORSTT supports the Province’s goal to increase housing supply, we believe that Bill 23 will have significant financial impacts and unintended consequences that would be counterproductive to this outcome. The proposed legislation reduces the amount of Development Charges (DC), Parkland Dedication (PD) fees and Community Benefits Charges (CBC) needed by municipalities to fund the cost of infrastructure needed for new housing to be built and to provide the essential services to its residents.
- We believe that attempts to reduce development charges will not translate into lower home prices, as the cost of housing is market-driven. This will not result in more housing being built faster. To the contrary, housing supply could be challenged as new infrastructure projects are deferred due to restricted municipal cash flow and other funding needs, such as the renewal of infrastructure. Eliminating housing as a DC-eligible service will force municipalities to rethink their ambitious plans to build more affordable housing.
- Taxpayers will pay more for growth, which already does not pay for itself under current DCA rules. Accordingly, the total cost of housing will increase due to higher property taxes and user rates. This comes at a time when municipalities are experiencing capital cost escalation in the range of 15%-50% due to inflationary and supply chain pressures and the highest cost of borrowing in over 10 years.
- Municipalities have limited revenue sources to fund both the operating costs and capital investments needed to deliver essential services. As municipal revenue is reduced, municipalities will need to consider delaying the construction of infrastructure needed to accommodate new housing and assume additional risk by taking on more long term debt and the associated debt financing costs (which require DC revenue to fund). This in turn could lead to service level reductions and would compromise provincially-mandated municipal asset management plans under the “Infrastructure for Jobs and Prosperity Act” as more tax dollars will be needed to fund the cost of growth.

## Background

- 1) Municipalities are responsible for the infrastructure needed to allow new housing to be built (e.g. water supply, wastewater treatment and roads) and the essential services expected by the community (e.g. public transit, parks and community centres, arenas, libraries, and emergency services such as police, fire and ambulance). The proposed changes to development charges, parkland dedication fees and community benefits charges will limit the ability of municipalities to fund the capital costs of such infrastructure and services.
- 2) Municipalities have limited revenue sources to fund capital investments and this legislation reduces municipal fiscal capacity to fund necessary infrastructure to allow new housing to be built. The inevitable result is that taxpayers and ratepayers will need to pay more to allow growth to happen and the emplacement of infrastructure required to support housing development will be delayed. Actions such as making more costs ineligible for development charge recovery, discounting and phasing-in development charge rates across all forms of development (including non-residential construction) and exempting certain forms of development from the payment of development charges and community benefits charges when combined result in significant reduced revenue for municipalities.
- 3) Development charges are calculated based on the capital investments required to allow growth to occur and the contributions from residential and non-residential growth needed to pay for servicing investments. DC exemptions and discounts are not just forgone revenue, rather they represent true funding gaps that need to be filled to maintain the assumptions (including infrastructure construction timing) determined through the Background Study and DC rate calculations.

Here are two examples of how the Bill will impact municipalities:

**Proposed phase-in of new DC rates:** This is not a phase-in of rate increases, but rather of the DC rates in their entirety (and it applies to both residential and non-residential DC rates). As an example, the impact in the City of Toronto is that new DC rates will be lower than DCs currently collected, and it will take until 2026 to get to 2018 DC rate levels. The impact for Toronto is estimated at \$200 million/year or \$2 billion over its 10 year capital plan. This will impact the speed of which the supporting infrastructure can be built prior to the development occurring.

**Proposed removal of Housing as a DC eligible service:** The County of Simcoe's 2021 Development Charge Background Study included \$92M in DC eligible costs identified for Social Housing. An estimated \$73M was to be collected over the next 10 years through the housing component of the DC charge (\$3,153 for a single family unit). Removing \$3,153 from the DC rate will NOT render that new home more affordable. Losing \$92M in DC revenue will increase property taxes for Simcoe County residents (replacing \$92M of DC funding will require borrowing and result in a minimum 4% to 5% increase in property taxes to pay it back).

- 4) It is questionable how a DC rate phase-in for non-residential development will help build more homes. If housing supply is the problem to be solved and not economic development/job creation, then the ICI sector should not be receiving benefits as part of a housing plan.
  
- 5) In the absence of provincial funding to keep municipalities whole from an infrastructure funding perspective, municipal Councils will be forced to make choices between maintaining existing assets and building new infrastructure with limited tax levy/user rate sources. This will ultimately lead to the deferral of growth-related infrastructure projects which contradicts the Province's goal to build more homes faster. Such deferral also puts at risk the progress made by municipalities with respect to asset management planning to meet the requirements of Ontario Regulation 588/17.

**ERO Posting comments**

We respectfully submit the following specific comments on the ERO posting:

ERO posting language	ORSTT comments and recommendations
<p>“To help reduce the cost of developing housing and to create cost savings for new home buyers and renters, the maximum alternative parkland dedication rate...”</p> <p>“To make more efficient use of available land in a development and to provide for parks more quickly for a community, developers would be able to identify land, including encumbered land (e.g., land with underground transit tunnels or other infrastructure) and privately owned public spaces that would count towards any municipal parkland dedication requirements if defined criteria, as set out in a future regulation, were met.”</p> <p>“To build more transparency and accountability on planning for and acquiring parks, municipalities would be required to develop a parks plan before passing a parkland dedication by-law.”</p>	<p>Reducing the cost of developing housing should not be at the expense of long term municipal fiscal sustainability.</p> <p>House prices are market driven so homebuyers will not benefit from reduced development charges, only developers will. However, homeowners and renters will all experience increased costs through higher property tax rates and water/wastewater rates in order to make up for lost DC revenue.</p> <p>The Province should implement measures and mechanisms that ensure the cost savings are passed on from the developers to property owners and renters.</p> <p>Reconsider changes to Section 42 in the Planning Act, so that municipalities and the development industry work together to ensure adequate parkland in place to support complete, healthy and safe communities.</p> <p>Consider a rebate/grant program provided by the government instead of DC reductions. This ensures that the common goal of all of Ontario to increase the housing supply is a shared cost and does not just hinder growing municipalities. Further this keeps municipal financing intact and allows the Province to monitor the program effects and outcomes.</p>

ERO posting language	ORSTT comments and recommendations
<p>“Phase-in development charge rates set out in new DC by-laws over a 5-year period. The DC rates set out in new DC by-laws would be subject to a percentage reduction that gradually decreases each year, over a five-year period (i.e., 20 per cent in year 1, 15 per cent in year 2, 10 per cent in year 3 and 5 per cent in year 4). With this proposal, the maximum development charge rate would be applied in year five of the DC by-law. This proposed change would apply to any DC by-law passed as of June 1, 2022.”</p>	<p>This requirement is greatly concerning. In a situation where DC rates are not increasing significantly, the result would be a lower DC rate in the first few years of a new DC-by-law as compared to the predecessor by-law</p> <p>This proposal should be removed.</p> <p>Should it not be removed:</p> <ul style="list-style-type: none"> <li>• it should only apply to by-laws passed on or after the More Homes Built Faster Act, 2022 receives Royal Assent.</li> <li>• The phase-in should only apply to residential development to align with Provincial goals</li> <li>• Wording should be amended to refer to a phase-in of an “increase in DC rates over a specified % (e.g. 10% over a minimum period of time (e.g. 3 years)</li> <li>• Non-residential development should be excluded from the DC rate phase-in.</li> </ul>
<p>“Use a historical service level of 15 years compared to the current 10 years to calculate capital costs that are eligible to be recovered through development charges. This would not apply to transit. This proposed change would apply to the passage of any new DC by-law.”</p>	<p>This provision will in most cases result in a lower historical service standard and therefore reduce funding for important municipal infrastructure.</p> <p>The wording should be amended to refer to a forward looking service level similar to the approach used for public transit.</p>
<p>“Remove housing services from the list of eligible services. DCs could no longer be collected for housing services, effective immediately, upon Royal Assent of Bill 23.”</p>	<p>This provision should be removed in order to allow municipalities to proceed with planned investments in affordable housing. This is counter-productive to a housing supply strategy, especially given the critical need of affordable housing at the lower end of the affordability spectrum.</p>

ERO posting language	ORSTT comments and recommendations
<p>“Limit eligible capital costs to ensure greater cost certainty:</p> <ul style="list-style-type: none"> <li>• Studies would no longer be an eligible capital cost that could be recovered through development charges.</li> <li>• A regulation-making authority would be provided to prescribe specific services for which the cost of land would not be an eligible capital cost that could be recovered through development charges. “</li> </ul>	<p>We see no compelling rationale to make such costs DC-ineligible, as these are essential to provision of growth-related infrastructure.</p> <p>The result will be delays in constructing the infrastructure needed to allow development to take place and higher property tax and water/wastewater rates.</p>
<p>“To incent the supply of rental housing units, particularly family-friendly rental housing, a tiered discount would be provided on development charges levied on purpose-built rental units. The discount would be deeper depending on the unit type (i.e., 15 per cent for a 1-bedroom unit (or smaller), 20 per cent for a 2-bedroom unit; 25 per cent for a 3+ bedroom unit). This proposed change would be in effect immediately upon Royal Assent of Bill 23.”</p>	<p>Making this change upon Royal Assent creates an immediate administrative and cash flow challenge for municipalities. The implementation date should be changed to “the effective date of a subsequent DC by-law”.</p> <p>We are not clear on what is meant by “family-friendly” rental housing.</p> <p>Clarity with respect to the definitions of affordable, attainable and non-profit housing are needed.</p>
<p>“To incent the supply of more affordable housing, affordable ownership and rental housing units, affordable housing units in a development subject to inclusionary zoning, as well as non-profit housing developments would be exempt from development charges, community benefits charges and parkland dedication requirements.”</p> <p>“To incent the supply of attainable housing units, a residential unit, in a development designated through regulation, would be exempt from development charges, parkland dedication requirements and community benefit charges.”</p>	<p>Municipalities are concerned about how this will be administered in the long term. This will require some form of ongoing administration and enforcement of agreements. This will add to the administration and governance of DCs, PD and CBCs.</p> <p>Furthermore, confusion about what is payable at building permit counters must be avoided if housing is to be built quickly.</p>

ERO posting language	ORSTT comments and recommendations
<p>“To encourage the supply to gentle intensification, a new parkland dedication exemption and refined DC exemptions are proposed to align with proposals under the Planning Act to implement an enhanced “additional residential unit” framework.</p>	<p>Exempting a second unit in a primary residential building and up to one unit in an ancillary building and in some cases a third residential unit in a primary residential building reduces the funding available to municipalities to construct the necessary infrastructure to allow new housing to be built.</p>

**Financial Implications**

ORSTT members have undertaken a preliminary financial analysis of financial implications relating to Bill 23 (see attached appendix). Note that these figures represent upper and single-tier municipalities only at this time. Some key findings:

- Based on current DC by-laws, the proposed phase-in rules would have resulted in a revenue shortfall of approximately \$1.2 billion (approximately 10%)
- ORSTT members have over \$2 billion in DC-eligible growth-related affordable housing investments in their 10 year capital programs – this Bill puts such investment plans in jeopardy as such costs would be shifted to the property tax base
- ORSTT members have approximately \$2.6 billion in DC-eligible growth-related studies and property acquisition in their 10 year capital programs, which would require a new source of funding
- ORSTT members collectively have at least 300,000 approved housing units for which a building permit has not been issued.

**ORSTT recommendations**

The Province of Ontario should:

- Reconsider and remove from Bill 23 the provisions that reduce the fiscal capacity of municipalities to put in place the infrastructure and services needed for new housing supply to be built and to provide the services that make Ontario a great place to live. At a minimum, amend the provision that requires a phase-in of new DC rates over 5 years to a provision that refers to a phase in of “DC rate increases over a specified %”, allow important growth related studies and property acquisition to remain as DC-eligible expenses, minimize new exemptions and discounts, remove non-residential development from the phase-in, and put in place a funding mechanism to make municipalities whole in order to ensure we can do our part in ensuring the that more housing gets built faster;

And

- Engage the municipal sector in meaningful discussions to support housing and housing affordability. We have done this before, and we are prepared to invest the time to do it

again. Such opportunities potentially include different ways of calculating development charges, long term sustainable infrastructure funding, extending land transfer tax powers to municipalities and others.

## **Summary**

Virtually all of the proposed changes to the legislation governing DC, PDs and CBCs result in a diminished fiscal capacity to fund the costs of infrastructure that supports new housing and commercial and industrial development.

If approved, this Bill will result in:

- Reduced DC, PD and CBC revenue and diminish municipal fiscal capacity to fund the cost of growth-related infrastructure - this will have significant financial impacts and unintended consequences which would be counterproductive to the Province's goal
- Reduced municipal revenue to fund the growth-related capital cost of infrastructure and services
- Taxpayers and ratepayers paying more for growth, which already does not pay for itself under current rules
- Delays in infrastructure projects needed to allow new housing to be built
- Restrictions on new housing supply as infrastructure projects needed to deliver the services needed by new residents are deferred or cancelled
- Increased total cost of housing due to higher property taxes and user rates
- No change to the housing prices - there is no demonstrable evidence that a reduction in development charges, community benefit charges or parkland dedication rates will translate into lower housing prices.
- More long term debt and risk for municipalities
- More pressure on municipal budgets and provincially mandated municipal asset management plans at a time of very high inflation and rising costs of borrowing
- Less ability for municipalities to invest in green spaces to provide park amenities to support the increased housing density

Finally, the ORSTT group has long promoted the need for integrated, sustainable and long term infrastructure planning, in order to ensure that essential services (e.g. water, wastewater, roads and transit) are available when growth proceeds. Planning at a Regional level ensures that resources are used efficiently and infrastructure is built in a continuous manner. In the absence of Regional planning for this infrastructure, there will be a struggle between municipalities to accommodate growth in a properly coordinated way. Regional Official Plans provide direction on growth as well as lead to the development of service-specific Master Plans that include financial impact assessments to ensure growth can happen in a financially sustainable manner.

Submitted on behalf of the members of ORSTT by:

*Craig Dyer*

Chair, Ontario Regional and Single Tier Treasurers  
Commissioner of Corporate Services and Chief Financial Officer, Region of Waterloo



**Estimated financial impact of certain provisions of Bill 23: Build More Homes Faster Act**

	1) Phase in of new DC rates		2) Removal of housing services (\$m)	3) Removal of Studies (\$m)	4) Removal of land (\$m)	5) # of approved units
	DC revenue reduction (\$m)	% of DC revenue				
City of Greater Sudbury	\$ 1.6	9%	NA	\$ 1.2	\$ 4.5	6,300
City of Hamilton	\$ 50.0	9%	NP	\$ 5.0	\$ 51.0	NP
City of Kingston	\$ 6.0	10%	\$ 0.5	\$ 3.5	NA	8,566
City of London	\$ 39.0	10%	NP	\$ 7.7	\$ 74.0	15,729
City of Ottawa	\$ 130.0	10%	\$ 10.0	\$ 20.0	\$ 52.0	73,000
City of Thunder Bay	NA	NA	NA	NA	NA	NA
City of Toronto	\$ 260.0	6%	\$ 1,300.0	\$ 50.0	\$ 600.0	60,000
City of Windsor	\$ 5.0	10%	NA	\$ 1.3	NP	NP
District of Muskoka	\$ 2.0	12%	NA	\$ -	\$ -	5,843
Haldimand County	\$ 7.5	NP	NA	\$ 1.0	\$ 3.0	NP
Municipality of Chatham-Kent	\$ 1.7	8%	NA	\$ 0.4	NA	2,640
Norfolk County	\$ 2.6	13%	\$ -	\$ 1.4	NP	NP
Region of Durham	\$ 70.0	9%	\$ 31.0	\$ 33.5	\$ 85.0	33,400
Region of Niagara	\$ 34.0	4%	\$ 64.0	\$ 48.0	\$ 74.0	NP
Region of Peel	\$ 192.0	10%	\$ 200.0	\$ 127.0	\$ 250.0	NP
Region of Waterloo	\$ 46.0	9%	\$ 258.0	\$ 40.0	\$ 100.0	22,825
Region of Halton	\$ 131.0	NP	\$ 50.0	\$ 9.0	\$ 400.0	NP
Simcoe County	\$ 23.1	10%	\$ 73.0	\$ 2.2	\$ 35.0	20,000
York Region	\$ 178.0	8%	\$ 108.8	\$ 320.3	\$ 215.5	40,856
<b>Total</b>	<b>\$ 1,179.5</b>		<b>\$ 2,095.3</b>	<b>\$ 671.5</b>	<b>\$ 1,944.0</b>	<b>289,159</b>
NA = Not applicable, NP = figure not provided						
<b>Questions:</b>						
<b>1) Phase-in of development charge rates set out in new DC by-laws over a 5-year period</b>						
Q: Assuming the phase-in had been in place upon enactment of your current DC By-law, what would be the estimated impact on DC Revenue over the 5 year life of the by-law? Two numbers are needed: the estimated \$ amount and the estimated \$ amount as % of estimated DC collections over the 5 year by-law term.						
<b>2) Housing Services removed from the list of DC eligible services</b>						

Q: What is the estimated \$ value of DC recoverable growth-related (excluding renewal/rehab) housing costs planned in your draft 2023-2032 Capital Plan? (use the approved 2022-2031 capital program if that's easier)						
<b>3) Studies no longer DC eligible</b>						
Q: What is the estimated \$ value of DC recoverable growth-related studies in your draft 2023-2032 Capital Plan, including the DCBS? (use the approved 2022-2031 capital program if that's easier). This can include watershed studies, OP updates, master plans, servicing plans, EAs, DCBS, etc.						
<b>4) Land acquisition for prescribed services no longer DC eligible (we recognize that this one needs to be defined further by the Province)</b>						
Q: What is the estimated \$ value of DC recoverable growth-related land acquisition in your draft 2023-2032 Capital Plan? (use the approved 2022-2031 capital program if that's easier)						
5) Q: Finally, what is the approximate number of approved housing units in your municipality for which a building permit has not been issued? (i.e. that developers are sitting on, in some cases for years)						