Finance
Office of the Commissioner
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Oakville ON L6M 3L1

October 27, 2023

Minister Paul Calandra
Bill 134 Consultation
Ministry of Municipal Affairs and Housing
Municipal Finance Policy Branch
777 Bay Street, 13th Floor
Toronto ON M5G 2E5

Dear Hon. Paul Calandra:

RE: Bill 134 (*Affordable Homes and Good Jobs Act, 2023*)

Thank you for the opportunity to provide comment on the provisions contained in Bill 134. This letter and the enclosed Council report (FN-42-23/CA12-23 Re: Implications of Amendments to the definition of an "Affordable Residential Unit" in the Development Charges Act. 1997 (DCA) and information on GO Transit Station Funding Act (Bill 134 and Bill 131)) is Halton Region's response to ERO# 019-7669 regarding changes proposed through Bill 134.

Halton Region has a shared objective with the Province and its Local Municipalities to advance housing supply and support the Local Municipalities in meeting their housing pledges by proactively planning for, financing and delivering infrastructure. Regional Council has committed to support the planned growth, while protecting its taxpayers from the financial impact of growth.

Regional staff do not believe that discounting or reducing DCs is an appropriate incentive to encourage affordable housing ownership/rental particularly in a high growth municipality. These restrictions on DC collections could result in higher property taxes and/or the delay of key infrastructure thereby potentially impacting existing property owners' affordability and delivery of new housing required to achieve the housing targets.

With no alternate funding sources provided by the Province, the proposed changes will result in significant financial impacts to the Region. Providing financial assistance to promote affordability is better suited to be administered through grant/incentive/rebate programs as it would allow the Province with greater flexibility to alter terms and conditions, gives the opportunity to monitor progress and ensure the incentives are targeted to the residents based on their economic circumstances.

On October 18, 2023, Regional Council endorsed Report No. FN-42-23/CA-12-23. A summary of the report and the Region's submission to ERO #019-7669 are outlined below.

<u>Bill 134 – Regional Municipality of Halton Submission (ERO# 019-7669)</u>

Bill 134 proposes to amend the definitions for "affordable" (for both rental and ownership) and "Affordable Residential Units Bulletin" for the purposes of exemptions from development charges (DCs) under the subsection 4.1 of the *Development Charges Act, 1997* (DCA). The Bulletin is not yet available. Without understanding what is in the Affordable Residential Unit Bulletin it is not clear what the ultimate financial impacts could be resulting from Bill 134 as it is unclear what methodology (e.g. data source and timing) will be used for the Bulletin that will be released by the Minister, thus making it extremely difficult to provide an informed submission. However, potential impacts were prepared based on 2022 new residential unit sales in Halton and could result in approximately 40% of all new units (made up of primarily apartment units) being exempt from DCs. The estimated loss in revenue would amount to more than **$1 billion**, over a 10-year period, based on Halton's 2022 DC Update**.**

<u>Significant considerations include but are not be limited to:</u>

- This proposed legislation does not ensure that the "affordable housing" created is being occupied or purchased by the residents that actually have the need for affordable housing.

- The "Affordable" definition changed from 80% to 90% of the average purchase price; however, it is not clear how this increase is justified.

- It is unclear what factors will be used by the Minister to calculate housing accommodation costs (i.e. mortgage rates, interest rates, inflationary increase, amortization periods, down payments, taxes, utilities) and how that relates to the Minister setting the purchase price or rent.

- It is not clear what data source the Affordable Residential Unit Bulletin will utilize to justify the affordability variables; however, it is important that the sample size and integrity of the data be statistically reliable to avoid data anomalies from unjustly skewing financial incentives.

- It is unknown if the Bulletin will consider categorizing unit types and sizes. In the absence of unit categories, there is potential that the majority of smaller units could be exempt and affordability across the spectrum is not achieved. Bill 134 Affordability Approach may be focused on increasing the supply of the least expensive types of units such as smaller studio or one-bedroom apartment units rather than incentivizing the Development Community to build a range of unit types that can accommodate for the "missing middle".

- Unit costs generally vary based on neighborhoods not necessarily at the local municipal level or Regional level. As such the geographical location will be an important consideration for the Province to understand each time the Bulletin is updated.
- Further, the frequency of Bulletin updates is important as it needs to be reactive to changes in market conditions. An outdated Bulletin with appealing values could attract lots of development which could have unforeseen impact on development financing.
  - Market conditions can vary widely, which could impact both the market-based and income-based approach to calculating the purchase price. For example, for every decrease or increase in the interest rate, it can have a potential impact on the purchasing power of ownership homes by about + or - 2.8 per cent, respectively. If the market conditions change more frequently than the Bulletin, the purchase price thresholds may not reflect the most current conditions.
- The Development Community will be incentivized to reduce the purchase price of their units, which they may recoup through other means. For example, there could be a significant increase in the amount and cost of "upgrades" like kitchen, fixtures, finishes and flooring outside the purchase and sale agreements.
- Legislation requires Developers to confirm that their intent is to build affordable housing. However, given the affordable housing criteria focuses on the purchase price/rental price it will not be possible for the Developer to demonstrate that they are in fact affordable housing units until the end of the Development Process. What happens if the Bulletin changes from the time of intent, timing of DC charges and purchase/rental?
- Housing prices are largely market driven with an incentive for the industry to maximize profits and given the exemption mandated by the DCA, which will be recouped directly by Developers it is not clear if the savings granted will ultimately be passed onto future homeowners. This is especially important when the affordability requirements are tied to future sales. The owners need to realize the saving as they are the ones that are at risk of paying back DCs if in default in the future.
- The DCA notes that a development must continue to meet the definition of "affordable" for 25 years for the exemption to apply. A local municipality may enter into agreements to ensure compliance.
  - This would necessitate the need to register on title to ensure future buyers are aware of the financial terms and conditions. In the event that affordability is no longer met the new owner would be required to reimburse the municipality for

lost DCs. This could become an enormous administrative challenge for both the Municipalities and Land Registry Office.

- The affordable rental units would be required to submit rental agreements and yearly rental rates for every unit to ensure that the Bulletin threshold is met.

Bill 134 does not connect the benefit to residents in need of affordable housing and therefore is not meeting the objective of affordability. Even if it was successful in incentivizing housing, the type of unit may not be desirable in a specific municipality and will not likely incentivize the missing middle.

As part of Bill 23 *(More Homes Built Faster Act, 2022*), Social Housing was removed as an eligible DC service, which already impacts the funding available to support the Region's most vulnerable. This new legislation, Bill 134, if approved, would further reduce the DCs generated and will result in significant shortfalls. Absent of support from senior government levels, municipal taxpayers, including the most vulnerable, should expect to assume this funding shortfall through municipal tax increases and user rate increases in order to pay the necessary infrastructure to support growth. Higher property taxes in turn would affect housing and business affordability, which would be counter-intuitive to the goal of creating more affordable housing options.

Halton recommends that subsection 4.1 be <u>removed</u> from the DCA and that the Province provide financial assistance to promote affordability through grant/incentive/rebate programs that be administered by the municipalities. A grant program also provides flexibility to alter terms and conditions if objectives are not being met, financial capacity is too burdensome or resident's economic circumstances change.

Should the Province proceeds with the Bill 134 changes, it is requested that consideration be given to:

1. Precluding the impact to water and wastewater DC's, which are strictly tied to capacity and infrastructure delivery and therefore should not be included in the exemption.

2. Providing exemptions <u>only</u> to Affordable Rental units and not Home Ownership units, which is consistent with the Federal Government GST rental rebate.

3. A guarantee on a yearly repayment from the Province to municipalities for the full shortfall in DCs the new legislation would generate.

The DCA is an important tool for Halton to recover growth-related costs in order to provide infrastructure in a timely way to support growth and more importantly support the Provincial Growth Plan.

If you have any questions or concerns regarding our submission or the DCA, the Region would be pleased to meet to review and discuss.

Sincerely,

Cyndy Winslow
Commissioner of Finance and Regional Treasurer
(905) 825-6005
cyndy.winslow@halton.ca

cc: Gary Carr, Regional Chair, Regional Municipality of Halton
cc: Jane MacCaskill, CAO, Regional Municipality of Halton

Attachment

The Regional Municipality of Halton

Report To:	Regional Chair and Members of Regional Council
From:	Cyndy Winslow, Commissioner, Finance and Regional Treasurer Jane MacCaskill, Chief Administrative Officer
Date:	October 18, 2023
Report No:	FN-42-23/CA-12-23
Re:	Implications of Amendments to the definition of an “Affordable Residential Unit” in the *Development Charges Act, 1997* (DCA) and information on GO Transit Station Funding Act (Bill 134 and Bill 131)

RECOMMENDATION

1. THAT Report No. FN-42-23/CA-12-23 be endorsed as a basis for Regional submissions on the matter posted to the Environmental Registry of Ontario ERO 019-7669 related to Bill 134 (Affordable Homes and Good Jobs Act) being an Act to amend the Development Charges Act, 1997 and the St. Thomas-Central Elgin Boundary Adjustment Act, 2023.

2. THAT upon proclamation of subsection 4.1 of the DCA, the Region’s current Affordable Rental Housing Deferral Policy, as approved through FN-08-20, be declared as no longer in effect.

3. THAT the Regional Clerk forward a copy of Report No. FN-42-23/CA-12-23 to the Premier of Ontario, the Minister of Municipal Affairs and Housing, the Halton Members of Provincial Parliament (MPPs), the Association of Municipalities of Ontario, the City of Burlington, the Town of Halton Hills, the Town of Milton, the Town of Oakville, for their information.

REPORT

Executive Summary

- Since 2018, the Provincial government has advanced a number of initiatives and legislative changes related to the supply of housing in Ontario that impact Development Charge (DCs) collections, including removal of housing as a DC eligible service, removal of studies as an eligible cost, rate freezes, DC phase-in of rates, discount for rental units, exemption for non-profit housing and deferral of DC payments for long term care and rental housing.

- Further, there is legislation in Bill 23, *More Homes Built Faster Act, 2022* that have not yet been enacted, including Subsection 4.1, that could further reduce the municipalities ability to collect DCs.

- On September 28, 2023, the Province introduced Bill 134 "Affordable Homes and Good Jobs Act, 2023" which proposes to amend the definitions for "affordable" (for both rental and ownership) and "Affordable Residential Units bulletin" for the purposes of exemptions from development charges (DCs) under the subsection 4.1 of the *Development Charges Act, 1997* (DCA). The proposed change is posted to the Environmental Registry of Ontario (ERO) as ERO 019-7669.

- Without understanding what is in the Affordable Residential Units Bulletin it is not clear what the ultimate financial impacts could be resulting from Bill 134 as it is unclear what methodology (e.g. data source and timing) will be used for the Affordable Residential Units bulletin that will be released by the Minister

- Importantly the changes proposed as part of Bill 134 would not achieve the policy objectives of making houses more affordable and specifically:
  - Will result in significant impacts to Halton's ability to fully recover the cost of growth related infrastructure and services through development charges.
  - Municipal taxpayers would be expected to assume this funding shortfall through municipal tax increases and user rate increases in order to pay the necessary infrastructure to support growth, without support from senior government levels. Higher property taxes in turn would affect housing and business affordability, which would be counter-productive.
  - The changes do not connect the benefit to residents in need of affordable housing
  - Even if successful in incentivizing housing, the type of unit may not achieve the desired mix of housing in a specific municipality and will not likely incentivize the missing middle.

- In the circumstance that the Province proceeds with changes, there should be consideration given to:
  - Precluding the impact to water and wastewater DC's, which are strictly tied to capacity and infrastructure delivery and therefore should not be included in the exemption.
  - Providing exemptions <u>only</u> to Affordable Rental units and not Home Ownership units, which is consistent with the Federal Government GST rental rebate

- If the Province wants to provide financial assistance to promote affordability it is better suited to be administered through grant/incentive/rebate programs. A grant program also provides flexibility to alter terms and conditions if objectives are not being met, financial capacity is too burdensome or resident's economic circumstances change.

- This report recommends that a submission on Bill 134 be prepared and submitted to the Province that highlights the concerns noted in this report. Pending the approval of this report, a submission on Bill 134 ERO will be prepared and provided to the Province consistent with the comments provided in this report.

- Further, in the event that subsection 4.1 of the DCA is enacted, it is recommended that the Region's current Affordable Rental Housing Deferral Policy be deemed as no longer in effect.

- In addition, on September 25, 2023, the Province tabled Bill 131 which introduces a new act, the *GO Transit Station Funding Act, 2023* that provides a mechanism for prescribed municipalities to collect development fees for the capital cost for new Metrolinx stations. At this time, there is no indication that this fee will replace the already existing GO Transit DC levied by municipalities on behalf of Metrolinx.

Background

Since 2018, the Provincial government has advanced a number of initiatives and legislative changes through Bill 108 "*More Homes, More Choices Act, 2019", Bill 138, Plan to Build Ontario Together Act, 2019* and Bill 23 "More Homes, Built Faster: Ontario's Housing Supply Action Plan" related to the supply of housing in Ontario that have impacted DC collection under the *Development Charges Act, 1997* (DCA). To date the following have been enacted:

- removing housing services as an eligible DC service and certain studies, including the DC Background Studies, as a DC capital expense that is chargeable;
- phasing in new DC rates over a 5-year period;
- DC rates are frozen (for up to 2-year from approval) for those developments that have zoning amendments or site plan applications;
- defer DC payments over 5 years from occupancy for long term care and rental housing, and reducing DCs for rental housing;
- DC exemption for non-profit housing;
- increasing average service level calculation from 10 to 15 years; and
- capping maximum interest rates (e.g. for installment payments and DC determination date);

In addition, the legislation includes changes to the DCA that are still unknown. This report is focused on the proposed changes brought forward in Bill 134 "Affordable Homes and Good Jobs Act, 2023".

On September 28, 2023, the Province introduced Bill 134 which proposes to amend the definitions for both affordable rental and affordable ownership residential units that would be used to determine their eligibility for exemptions from development charges (DCs) under the subsection 4.1 of the *Development Charges Act, 1997* (DCA

An overview of the changes proposed by the Province is provided in this report together with Regional staff's assessment of the potential implications for Halton, which could be significant. Given that the specific affordability thresholds are unknown and will be identified in a future bulletin published by the Minister of Municipal Affairs and Housing it is extremely difficult to provide an informed submission.

Further, on September 25, 2023, the Province tabled Bill 131 which introduces a new act, the *GO Transit Station Funding Act, 2023* that provides a mechanism for prescribed municipalities to collect development fees for the capital cost for new Metrolinx stations. At this time, there is no indication that this fee will replace the already existing GO Transit DC levied by municipalities on behalf of Metrolinx.

Discussion

Bill 134 "*Affordable Homes and Good Jobs Act, 2023*"

On September 28, 2023, the Province introduced Bill 134 "*Affordable Homes and Good Jobs Act, 2023*" which proposes to amend the definitions for "affordable" (for both rental and ownership) and "Affordable Residential Units bulletin" for the purposes of exemptions from development charges (DCs) under the subsection 4.1 of the *Development Charges Act, 1997* (DCA), which was originally introduced as part of Bill 23. The proposed change is posted to the Environmental Registry of Ontario (ERO) as ERO 019-7669 with comments due by October 28, 2023.

Under Bill 23, rental and homeownership were defined as no greater than 80% of the average rental/purchase price for both and has now been proposed as follows:

Ownership Unit [1,2]	Rental Unit [1,2]
The price is no greater than the lesser of: • A price for which the cost of accommodation is less than 30% of the 60th percentile of income for households in the municipality as **determined by the Minister of Municipal of Affairs and Housing**, or • 90% of the average purchase price identified for the residential unit set out in the **Affordable Residential Units Bulletin**	The rent is no greater than the lesser of: • 30% of the 60th percentile of income for rental households in the municipality as **determined by the Minister of Municipal of Affairs and Housing**, or • The average market rent set out in the **Affordable Residential Units** Bulletin

[1] Affordable Residential Units bulletin has not yet been released.

[2] A residential unit that is intended to be an affordable residential unit for a period of 25 years or more from the time that the unit is first rented or sold is exempt from development charges. The local municipality shall enter into an agreement that requires the residential unit to be an affordable residential unit for a period of 25 years.

The new definitions above, rely on the Affordable Residential Units bulletin to define thresholds for the definitions (e.g. average purchase price, cost of accommodation) and have not been provided even though they are relevant to be able to calculate projected DC losses and allow municipalities to submit an informed response. In addition, this legislation does not connect the benefit to residents in need of affordable housing. For example, an affluent resident would be able to purchase an affordable unit who has the financial capacity to purchase a more expensive unit. The loss of DC revenue, however would in turn impact taxpayers for capital funding shortfalls.

Although this information would allow us to assess the potential outcome, the Region on several occasions have indicated that discounting or reducing DCs are not the appropriate tool to incentivise housing. DCs are an essential cost recovery tool, which are used to pay for the cost of infrastructure required to service new growth. Municipalities have very limited alternative sources of revenue to fund growth related infrastructure. Restrictions in DC collections in the existing DCA already result in a significant burden to existing taxpayers. The proposed changes to the DCA would further significantly restrict DC collections and would be unaffordable for existing taxpayers to fund. These further restrictions on DC collections could result in the delay of key infrastructure and thereby potentially impacting the delivery of new housing that are required to achieve the housing targets.

Without understanding what is in the Affordable Residential Units Bulletin it is not clear what the ultimate Financial ramifications could be resulting from Bill 134 as it is unclear what methodology (e.g. data source and timing) will be used for the Affordable Residential Units bulletin that will be released by the Minister. Further the exemption poses other problems that need to be assessed. Significant considerations include but are not be limited to:

- Bill 134 increases the “Affordable” definition from 80% to 90% of the average purchase price; however, it is not clear how this increase is justified.

- It is unclear what factors will be used by the Minister to calculate housing accommodation costs (i.e. mortgage rates, interest rates, inflationary increase, amortization periods, down payments, taxes, utilities) and how that relates to the Minister setting the purchase price or rent.

- It is not clear what data source the Affordable Residential Units Bulletin will utilize to justify the affordability variables; however, it is important that the sample size and integrity of the data be statistically reliable to avoid data anomalies from unjustly skewing financial incentives.

- It is unknown if the bulletin will consider categorizing unit types and sizes. In the absence of unit categories, there is potential that the majority of smaller units could be exempt and affordability across the spectrum is not achieved. Bill 134 Affordability Approach may be focused on increasing the supply of the least expensive types of units such as smaller studio or one-bedroom apartment units rather than incentivizing the Development Community to build a range of unit types that can accommodate for the “missing middle”.

- Unit costs generally vary based on neighborhoods not necessarily at the local municipal level or Regional level. As such the geographical location will be an important consideration for the Province to understand each time the Bulletin is updated.

- The frequency of Bulletin updates is important as it need to be reactive to changes in market conditions. An outdated bulletin with appealing values could attract lots of development which could have unforeseen impact on development financing.
  - Market conditions can vary widely, which could impact both market-based and income-based approach to calculating the purchase price. For example, for every decrease or increase in the interest rate, it can have a potential impact on the purchasing power of ownership homes by about + or - 2.8 per cent, respectively. If the market conditions change more frequently than the MMAH Bulletin, the purchase price thresholds may not reflect the most current conditions.
- The development community will be incentivized to reduce the purchase price of their units, which they may recoup through other means. For example, there could be a significant increase in the amount and cost of “upgrades” like kitchen, fixtures, finishes and flooring.
- Legislation requires Developers to confirm that their intent is to build affordable housing. However, given the affordable housing criteria focuses on the purchase price/rental price it will not be possible for the Developer to demonstrate that they are in fact affordable housing units until the end of the Development Process. Therefore, the Municipalities would have to charge DCs and provide a refund once it is demonstrated that the criteria are met. What happens if the bulletin changes from the time of intent, timing of DC charges and purchase/rental?
- The DCA notes that a development must continue to meet the definition of “affordable” for 25 years for the exemption to apply. A local municipality may enter into agreements to ensure compliance.
  - This would necessitate the need to register on title to ensure future buys are aware of the financial terms and conditions. In the event that affordability is no longer met the new owner would be required to reimburse the municipality for lost DCs. This could become an enormous administrative challenge for both the Municipalities and Land Registry Office.
  - The affordable rental units would be required to submit rental agreements and early rental rates for every unit to ensure that the bulletin threshold is met.

Regional staff do not believe that discounting or reducing DCs is an appropriate incentive to encourage affordable housing ownership/rental particularly in a high growth municipality. The shortfall to finance growth-supportive infrastructure is substantial and puts municipal fiscal sustainability at risk. Absent any support from senior government levels, municipal taxpayers should expect to assume this funding shortfall through municipal tax increases and user rate increases in order to pay the necessary infrastructure to support growth. Higher property taxes in turn would affect housing and business affordability, which would be counter-intuitive to the goal of creating more affordable housing options.

The delivery of new housing supply is complex; there are many factors that affect home prices and housing supply such as demand, developer interests, interest rates, mortgage rules, immigration levels, location, labour and material costs. Housing prices are largely market driven with an incentive for the industry to maximize profits and given the discount mandated by Bill 134 will be recouped directly by developers it is not clear if the savings granted will ultimately be passed onto to future homeowners.

Halton's Alternative Approach

As noted earlier, DC legislation is not the appropriate mechanism to incentives developers to build more affordable homes. DC's are required to ensure that services are available to support new development. If the Province wants to provide financial assistance to promote affordability it is better suited to be administered through grant/incentive/rebate programs. These grants could be provided to developers or homeowners as opposed to a reduction to DCs. Otherwise there should be a yearly guarantee on repayment from the Province to municipalities for the full shortfall in DCs the new legislation would generate. A grant program also provides flexibility to alter terms and conditions if objectives are not being met, financial capacity is too burdensome or resident's economic circumstances change.

Halton Region has a shared objective with the Province to provide affordability to low income residents through various assistant housing programs. The accomplishments over the last 10 years are set out in Report SS-20-23 "Regarding Comprehensive Housing Strategy Update: 2014-2024 Annual Progress Report". Halton's programs respond to the changing needs of our community and seems to address a similar criterion as the new legislation. However, the key difference is that Halton's programs ensure that new builds/supportive rentals are occupied by the residents who need the affordable housing. In addition, Halton has promoted affordability, through 20 year deferrals for rental buildings that include at least 25% affordability.

Conclusion related to the new Affordable Housing in Bill 134

Bill 134 does not connect the benefit to residents in need of affordable housing and therefore is not meeting the objective of affordability. Even if it was successful in incentivizing housing, the type of unit may not be desirable in a specific municipality and will not likely incentivize the missing middle.

In the circumstance that the Province proceeds with changes, staff feel that the exemption should only be offered to Affordable Rental units and not Home Ownership units, which is consistent with the Federal Government GST rental rebate. The affordable rentals are easier to administer, monitor and manage cash flows.

DC's are important to ensure housing supply and should only be reduced at the discretion of municipalities. Staff strongly believe water and wastewater DC's, which are strictly tied to capacity and infrastructure delivery, should not be included in the exemption. This will have a significant impact on meeting housing targets if alternative funding is not received in a timely manner.

<u>Changes to the current Regional Residential Deferral Policy</u>

With the enactment of the Bill 23 amendments to the DCA, the Regional Residential Deferral Policies that were initially revised pursuant to the Bill 108 DCA changes, were further affected as follows:

- Rental Housing (market rental) – eligibility for the mandatory annual installments of DC payment (6 annual payments commencing at occupancy) replaced the Region's rental high-density apartment and rental housing-government funded deferral policy;
- Non-profit Housing – the mandatory DC exemption for non-profit housing development eliminated the need for the Region's Non-profit Housing Deferral Policy.

In addition to the above, the Region's residential deferral policy for Affordable Rental Housing has remained in place because DCA subsection 4.1 (exemption for affordable and attainable residential units) has not yet been proclaimed. This policy allows for the <u>all</u> of the units within a new rental development to be deferred with no interest, for up to 20 years, provided that the greater of 25% or 10 of the units are affordable units. With the release of Bill 134 and the pending proclamation of subsection 4.1, affordable residential units will be fully exempt from DCs. With this additional loss of revenue, any further discretionary deferrals of market rent units is not recommended. Accordingly, staff recommend that the Affordable Rental Housing Policy be declared as no longer in effect.

<u>Bill 131 "*GO Transit Station Funding Act, 2023*"</u>

The GO Transit Station Funding Act, 2023, which will come into effect upon Royal Assent, provides a mechanism for prescribed municipalities to collect a new Station Contribution Fee for new Metrolinx stations. To date, no Regions or local municipalities have been prescribed and it is unclear how prescription will be undertaken. This new legislation appears to be in addition to the current DCs already in place, which came into force in 2001 and has continued to be extended without updates. It is interesting to observe on one hand the removal of DC funding for municipalities within Bill 134, and on the other the addition of a fee similar to DC charges for Provincial services.

As further noted in the Ontario Newsroom release, prescribed municipalities who levy this new fee will need provide an offset in development fees (e.g. relaxing parking requirements, expediting planning approvals, reducing fees, prioritizing capital for the GO station areas) to alleviate this charge. Upper tiers can satisfy this requirement through local municipality fee reductions.

The Act requires municipalities to provide revenue collection from developers in a defined benefitting area to pay for actual costs of new GO stations. It is the responsibility of the municipalities to calculate, collect, design and construct new stations. The Province has mandated growth targets through housing pledges with the objective of housing affordability that has strained financial capacity to municipalities. GO Transit services are the responsibility of the Province, although some municipalities do collect DCs on behalf of Metrolinx, it is a flow through and the financial risk should not be borne on municipalities. The money that has been collected by municipalities should be used to provide for new stations, or the Province should be updating DCs that can be collected to support any new initiatives. Bill 131 is in second reading and municipalities are expected to be consulted as part of the process to develop the regulatory framework. Staff do not support the direction being suggested in this proposed legislation.

FINANCIAL/PROGRAM IMPLICATIONS

There are no immediate financial implications associated with the recommendations contained in this report for Bill 134 or Bill 131. However, if the changes as proposed in Bill 134 are passed with no alternate funding sources, there will likely be significant financial impacts.

For demonstrative purposes, Regional staff have prepared an analysis of how the Bill 134 definitions could be applied in Halton Region to illustrate the potential number of residential units that could be exempt from paying development charges, found in Attachment #1. While general definitions for affordable rental and ownership residential units are identified in Bill 134, key details and assumptions related to the methodology for the Affordable Residential Units bulletin have not been set out in the proposed legislation and would be determined at the discretion of the Minister. Additionally, purchase price values vary depending on the demographic and market context of the local municipalities and shifts in the assumptions could result in significantly different results for what falls within the definition of an affordable residential unit.

With those caveats in mind, based on 2022 new residential unit sales reported through the Municipal Property Assessment Corporation (MPAC) and Census household income data, a preliminary analysis has shown that approximately 40% of the total number of new sales by municipality in could have been below the affordable purchase price, and would be exempt from paying development charges.

Respectfully submitted,

Matthew Buist
Director, Capital and Development Financing

Cyndy Winslow
Commissioner, Finance and Regional Treasurer

Curt Benson
Director, Strategic Initiatives & Government Relations and Chief Planning Official

Approved by

Jane MacCaskill
Chief Administrative Officer

If you have any questions on the content of this report, please contact:	Cyndy Winslow	Tel. # 6005

Attachments: Attachment #1 – Potential Bill 134 Impacts for Halton

Potential Bill 134 Impacts for Halton

The purpose of this attachment is to provide additional information on potential Bill 134 impacts for Halton in support of Staff Report No. FN-42-23/CA-12-23 (re: Implications of Amendments to the Definition of an “Affordable Residential Unit” in the Development Charges Act, 1997 (DCA) – Bill 134).

A | General Comments and Concerns on Bill 134 and the Affordable Residential Units Bulletin

- Without understanding the specific methodology informing the Affordable Residential Units Bulletin published by the Minister of Municipal Affairs and Housing (MMAH), it is extremely difficult to assess the true implications for Halton. While the definitions provide guidance, the future bulletin as determined by the MMAH would ultimately define the thresholds.
- It is unclear if the Bulletin published by the MMAH will take into consideration of additional variability such as household sizes (e.g. individuals) or thresholds by type of housing units (e.g. singles / semis vs. apartments). Affordability of a residential unit would be relative to the household sizes, as well as the type of housing units being considered.
- Timing and frequency of the Bulletin will also have implications as the market conditions can vary widely at any given time. Data sources such as Canadian Income Survey (CIS) from Statistics Canada and Rental Market Report (RMR) from Canada Mortgage and Housing Corporations are released on an annual basis around November of the corresponding year and January of the following year, respectively. In addition, there are concerns with accuracy of available data; for example, Census data relies on self-reported information.
- It is noted that additional varying and volatile market conditions, as the Region has recently experienced, can influence affordability of a residential unit relative to the market conditions. For example, for every decrease or increase in the interest rate by a 25 point basis, it can have a potential impact on the purchasing power of ownership homes by about + or - 2.8 per cent, respectively. As such, if the market conditions change more frequently than the bulletin, the thresholds may not reflect the most current conditions influencing affordability.

B | Potential Proxy Affordable Purchase Price and Rent Thresholds for Halton under Bill 134

For illustrative purposes, Regional Staff have prepared potential proxy thresholds based on interpretation and analysis of currently available data sources. The proxy thresholds are based on information available to Regional staff and best efforts to identify and interpret reasonable assumptions that are not identified in the proposed legislation. Table 1 below provides a summary of the analysis. The results of this analysis may differ from those that are ultimately set out in any future bulletin issued by the Minister.

**Table 1. Proxy Rent and Purchase Price Thresholds
Based on the Proposed Bill 134 Definitions**

		Burlington	Halton Hills	Milton	Oakville	Halton Region
Purchase Price	Income-based	$550,000	$660,000	$660,000	$880,000	$660,000
	Market-based *(New Unit Sales)*	$539,000	$896,000	$834,000	$815,000	$811,000
	Market-based *(All Unit Sales)*	$1,077,000	$1,098,000	$1,014,000	$1,332,000	$1,158,000
	Proxy Threshold (Lesser of Values)	**$539,000**	**$660,000**	**$660,000**	**$815,000**	**$660,000**
	Bill 23 Affordable Ownership (For reference)	**$479,000**	**$797,000**	**$741,000**	**$725,000**	**$721,000**
Rent	Income-based	$1,734	$2,081	$2,081	$2,775	$2,081
	Market-based	$1,688	$1,385	$1,512	$1,783	$1,695
	Proxy Threshold (Lesser of Values)	**$1,688**	**$1,385**	**$1,512**	**$1,783**	**$1,695**
	Bill 23 Affordable Rent (For reference)	**$1,350**	**$1,108**	**$1,210**	**$1,427**	**$1,356**

On the purchase price, as summarized in Table 1 above, the lesser of purchase price values vary depending on the demographic and market context of the local municipalities. In Burlington and Oakville where row houses or apartments (that are comparatively lower in market prices) represent the majority of new unit sales, the market-based approach represents the lesser of values if the approach is based on new unit sales. In Halton Hills and Milton, the income-based approach represents the lesser of values due to greater proportion of new unit sales that are single or semi-detached (that are comparatively higher in market prices). In Burlington and Oakville, Bill 134 would result in higher thresholds than the current Bill 23 definition that “the price of the residential unit is no greater than 80 per cent of the average purchase price”.

On the rent side, the market-based rents are lower than the income-based approaches for all local municipalities. It is noted that Bill 134 would result in higher thresholds than the current Bill 23 definition that “the rent is no greater than 80 per cent of the average market rent”.

C | Potential Financial Ramifications for Halton

The proposed definitions for affordable rental and ownership residential units would have impacts that include significant impacts to Halton’s ability to fully recover the cost of growth related infrastructure and services through development charges. In turn, this will result in significant challenges for Halton to finance and deliver infrastructure required to support growth. Without understanding what is in the Affordable Residential Units Bulletin, it is not clear what the ultimate Financial ramifications could be resulting from Bill 134.

To understand the potential financial ramifications for Halton, the proxy affordable purchase price thresholds as calculated in Table 1 above has been applied to the sales of new residential units in 2022 as reported by the Municipal Property Assessment Corporation (MPAC). Table 2 below identifies the total number of new sales by municipality in 2022 that would be below the affordable purchase price. These residential units would be exempt from paying development charges.

Table 2. # of New Residential Unit Sales* below the Proxy Affordable Threshold under the Proposed Bill 134 Definition

	Burlington	**Halton Hills**	**Milton**	**Oakville**	**Halton Region**
Total New Sales	**110**	**165**	**515**	**866**	**1,656**
New Sales *below Proxy Affordable Purchase Price*	**83**	**2**	**62**	**536**	**683**
Single / Semi	*0*	*0*	*0*	*0*	*0*
Townhouse	*0*	*2*	*62*	*38*	*102*
Apartment	*80*	*0*	*0*	*465*	*545*
New Sales (% of Total) *below Proxy Affordable Purchase Price*	75.5%	1.2%	12.0%	61.9%	41.2%
Single / Semi (% of Total)	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Townhouse (% of Total)	*n/a*	*10.0%*	*34.3%*	*46.9%*	*36.2%*
Apartment (% of Total)	*85.1%*	*n/a*	*0.0%*	*97.9%*	*94.8%*

****Note on data:** Based on property sales data from the Municipal Property Assessment Corporations (MPAC), which is based on information compiled and made available by MPAC.*

Based on the proxy affordable purchase price threshold, nearly 95 per cent of apartment unit sales from 2022 would be below the threshold. In other words, 95 per cent of new apartment units would have been exempt from paying development charges in 2022. Overall, about 40 per cent of all new units would have been exempt under the Bill 134 definitions.