

April 30, 2024

Submitted online and via email to [minister.mah@ontario.ca](mailto:minister.mah@ontario.ca)

The Honourable Paul Calandra  
Minister of Municipal Affairs and Housing  
Government of Ontario  
17th Floor – 777 Bay St.  
Toronto, ON M7A 2J3

**RE: ERO 019-8371 - Changes to the Development Charges Act, 1997 to Enhance Municipalities' Ability to Invest in Housing-Enabling Infrastructure**

The City of Guelph (the "City" or "Guelph") appreciates the opportunity to comment on the Province's proposed amendments to the *Development Charges Act, 1997* ("DC Act"). The City provides the comments below in the interest of meeting our Housing Pledge to build 18,000 homes by 2031. We celebrate the progress the Province is making on its promise to make municipalities whole from the impacts of Bill 23.

On April 10, 2024, the Province introduced Bill 185, the *Cutting Red Tape to Build More Homes Act, 2024*. At the same time, it was announced that the Province will bring into force development charge (DC) exemptions and discounts for affordable residential units beginning on June 1, 2024.

Here is a summary of the financial impact of the proposed changes to the DC Act over the life of the City's 10-year by-law that came into effect March 2, 2024:

- Removing of the mandatory five-year phase-in is estimated to save taxpayers and ratepayers an estimated \$38 million;
- Reinstating the studies as an eligible service will save taxpayers and ratepayers an estimated \$9 million.

These changes restore an estimated \$47 million in funding to the City over the next 10 years. This will improve the fiscal capacity to establish plans and build infrastructure to hit our housing target.

Moreover, the City believes that supporting affordable housing is a worthwhile undertaking. The City's 2017 Housing Affordability Strategy sets a target of 30 per cent of new housing being affordable. With our objectives being aligned, it is important that we get the policy details right to support affordable housing. With the current available information, we have concerns about how municipalities will ensure that the affordable housing provisions incent and protect the affordable housing stock. We

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also have concerns that the estimated cost the affordable housing provision is \$119 over 10 years. We will explore the best way to fund this gap in this letter.

Additionally, we will provide feedback on the provisions to make changes to our development charge bylaws.

### **Growth Funding Gap**

The City is supportive of the proposal to reverse the mandatory five-year rate phase-in as well as the proposal to again allow growth studies as an eligible cost service.

Guelph completed its most recent DC background study with the support of the retained consultant, Watson & Associates Economists Ltd (“Watson”). Watson estimated that the mandatory rate phase-in and the removal of growth studies would cost \$38 million and \$9 million, respectively, over the 10-year period of the by-law. The proposed amendments will have a positive impact on the City’s capacity to fund growth.

However, proclaiming the affordable housing exemption provision will more than offset this positive impact. Based on currently available information, the cost of funding exemptions for affordable residential units is estimated to be approximately \$119 million until 2033, if the City achieves its affordability target.

While we believe that supporting affordable housing development is a worthwhile undertaking, we do not believe that municipalities have the fiscal capacity or correct revenue tools to do so. Property taxes and utility rates are not levied based on ability to pay; requiring property taxpayers and utility rate payers to subsidize the cost of infrastructure and amenities to support growth increases affordability challenges for those already struggling to retain their housing. Financial support from provincial and federal governments is necessary to get this greatly needed housing in our community.

Beyond the financial cost of the affordable housing exemption is the administrative function of ensuring that the developments receiving the exemption remain affordable. It is unclear how (or if) the City could ensure compliance with any agreement committing to 25 years of remaining affordable. With such high taxpayer cost anticipated to incent affordable housing, protection of this housing stock is essential for our community, and we ask for centralized support from the provincial government in administering this protection, rather than a local approach where resources are already stretched and expertise is not readily available.

It is currently proposed that the affordable housing exemption will go into effect on June 1, 2024, less than two months from the date of the announcement. It is noted in the DC Act that “The Minister of Municipal Affairs and Housing may establish standard forms of agreement that shall be used for the purposes of subsection (9) or (11). 2022, c. 21, Sched. 3, s. 3.”

There is a lack of clarity about whether the Province will be establishing the standard forms of the agreement, or whether municipalities are expected to develop their own agreements; even if the Province will develop a standard agreement, consultation with the municipal sector will be needed to ensure effectiveness and efficient administration.

Similarly, the DC Act refers to an “Affordable Residential Units bulletin” which will set-out the income and market based affordable purchase price and rental thresholds. A draft of this bulletin has not been shared with municipalities to date for consultation.

### **Recommendations**

- The City respectfully recommends postponing the enactment of the affordable housing exemptions until:
  - The Province has developed and consulted with municipalities on the administrative tools required to implement the affordable housing exemption; and
  - Offsetting revenue tools can be established to support municipalities in providing DC exemptions for affordable housing.

### **By-law Amendment Process**

As mentioned above, removing the five-year rate phase-in for new DC by-laws and reinstating studies as an eligible capital cost are welcome changes. It is appreciated that the Province is proposing a way to efficiently update DC by-laws affected by this change. However, to add growth studies into DC by-laws will require a “mini” background study for this class of service. A six-month timeline to do this will be challenging given that many municipalities will be undertaking this work concurrently, with a limited pool of consultants to support this work.

The City agrees with shortening the timeline for the rate freeze from 24 months to 18 months, or preferably, removing it entirely. Shortening the timeline will provide an incentive for developers to move quickly from development process approval to building permit. Removing it entirely would also increase the incentive to move quickly, and would eliminate the significant administrative burden associated with administering it. We note that updating the DC by-law to align the rate freeze provisions with the proposed amendments has not been included in the proposed transitional provisions for minor amendments.

**RE: ERO 019-6619 and 23-MMAH001– Municipal Reporting on Planning Matters  
- Proposed Minister's Regulation under the Planning Act**

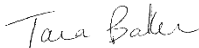
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**Recommendations**

- Allow one year for minor amendments to be made to by-laws to align with the updates proposed in Bill 185;
- Clarify the language in the transitional provisions to confirm that municipalities may introduce new by-laws to add eligible growth studies when it makes sense given the structure of the municipalities DC by-laws;
- Provide the same administrative authority to amend DC by-laws through the minor amendments process to adjust the rate freeze timeline from 24 months to 18 months; and
- Provide 12 months to amend DC by-laws for this item for administrative efficiency (so by-laws can be updated once to align with all provisions of Bill 185).

We appreciate this opportunity to provide our perspective and help the Province achieve its goal of building 1.5 million homes by 2031. We are aligned on the goal of increasing housing while minimizing the cost to property tax and utility rate payers to accommodate growth, and trust that these comments will help in achieving our shared goals.

Sincerely,



**Tara Baker**, General Manager, Finance, and City Treasurer

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