PL-42-24: Appendix A

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Electronic Submission only

ATTENTION:
Honourable Paul Calandra
Minister of Municipal Affairs and Housing
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Changes to the Development Charges Act, 1997 to Enhance Municipalities' Ability to Invest in Housing-Enabling Infrastructure

Ontario Regulatory Registry Posting 019-8371

Background:

The Province is proposing to amend the Development Charges Act, 1997 to: repeal the five-year phase-in of development charges (DCs); reinstate studies as an eligible cost for DC's; reduce the timeframe for the DC freeze from two years to 18 months; and streamline the process for municipalities to extend existing DC by-laws. Bill 185, Cutting Red Tape to Build More Homes Act, 2024.

In December 2023, the government committed to consulting on potential changes to the development charges (DC) framework to enhance municipal ability to build housing-enabling infrastructure. The proposed initiatives are intended to support municipalities in building more housing faster.

Comments:

Repeal the mandatory five-year phase-in of DC Rates

Staff support the proposed repeal of the mandatory five-year phase-in of DC rates on the basis that:

- The removal of the mandatory phase-in of development charges allows the city to collect DC revenues for the growth-related capital cost included within the municipal DC Background study as endorsed by Council, in a timely manner.

- It eliminates the delay/ reduction in collection of DCs that would have ultimately deferred capital projects as well as somewhat reduces the pressure on the tax base and incurring costs related to debt financing. Creating more equity between current and future residents of Burlington.
- Ensures discounts to DC are not provided to development and redevelopment that municipalities do not aim to incentivize.
- Timely collection of DC revenues aids in supporting key infrastructure to support growth.
- The City continues to make every effort to spend/ allocate reserve fund dollars to expedite growth related projects and ensure that growth funding is assigned as required to infrastructure that is in support of growth. The City does not have excessive reserve fund balances and as such these proposed changes will assist the municipality to proceed with the city's growth projects.

Reinstate Studies as an Eligible Capital Cost for DCs

Staff support the proposed reinstatement of studies as an eligible capital cost for DCs on the basis that:

- The proposed amendment will allow municipalities to fund studies consistent with bylaws passed prior to the More Homes Built Faster Act (Bill 23)
- This will allow for the funding of master plans, DC background studies, and similar studies that inform the capital costs of the DC background study.
- This puts less pressure on the existing property tax base to supplement these capital costs that do support building growth related infrastructure.
- Allows municipalities to appropriately plan for additional development.

Streamlines Process for Extending DC By-Laws

Staff support the proposed streamlined process for extending DC by-laws on the basis that:

- This assists the municipality, in saving time and money in undertaking a full background study when the necessity does not exist to do so.
- Municipalities undertake studies when infrastructure planning, and updated growth projections would warrant a new study.
- The ability to make minor amendments to DC bylaws to align with the legislative changes without cumbersome administrative requirements allows municipalities to align policies with the amended legislation quickly.

Reduce the Time limit on the DC Freeze

Staff support the proposal to reduce the time limit on the DC rate freeze on the basis that:

- Reduction of the timeframe from 2 years to 18 months puts pressure on the development community to continue to move these applications forward and building towards the municipal housing targets
- Ensures that developments that are not proceeding quickly do not receive DC discounts.
- The DC freeze still contributes to a reduction in DC revenues as these applications would not be subject to the annual indexing which can impact the delivery of growth-related infrastructure.
- The inclusion of the ability of municipalities to charge interest on these applications assists in bridging the gap of lost revenue.

Implementing the Affordable Residential Unit Exemption

The Province has noted that implementation of the Affordable Residential Units exemption will occur on June 1, 2024. The More Homes Built Faster Act, 2023 (Bill 23) introduced the exemption for Affordable Residential Units and was subsequently revised through Bill 134, Affordable Homes and Good Jobs Act, 2023, which received Royal Assent on December 4, 2023. The Province's Cutting Red Tape to Build more Home Backgrounder also released on April 10, 2024, indicates that on June 1, 2024, the Province will bring into force municipal development-related charge exemptions and discounts for affordable residential units to provide incentives for the development of affordable housing. Currently, the Affordable Residential Units Bulletin is posted on Ontario.ca.

Similar to the comments made by City staff at the time of Bill 134, any DC exemptions continue to put further financial burdens on municipalities to fund these exemptions and ultimately can impact the delivery of growth-related infrastructure.

Staff continue to caution that the term "Affordable" as defined in the DC Act does not consider households with a household income below the 60th percentile and is unlikely to incentivize rental and ownership units that would meet the needs of Burlington's moderate and low-income residents. Further, the depth of the discount required to achieve affordability for the 60th percentile would likely be in excess of the money saved by DC exemption alone and therefore would not likely incentivize these units through this measure in the absence of other incentivization tools and supports. For example, the Bulletin identifies that the average price of a condominium unit in Burlington is estimated to be $690,000 while the Bulletin identifies that in order to be eligible for a DC exemption the condo unit must be sold for $474,300. This is a discount of $215,700 *per* unit or a discount of over 30% per unit. Given the depth of the discount required, additional incentivization tools would be necessary to encourage the development of affordable units as defined in the DC Act. Though, for organizations that are already building affordable units, this exemption will provide a small amount of relief.

Staff advise that there is no evidence to support that reducing development related fees is an appropriate tool to improve housing affordability. The reduction in revenue that supports capital funding addressing growth related projects rather, will increase the burden on existing taxpayers which in itself reduces housing affordability. 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. If the Province wants to provide financial assistance to promote affordability it is better suited to be administered through grant, incentive or rebate programs.

Next Steps:

Please accept this letter as the City of Burlington's submission on ERO posting 019-8371. Given the short period for consultation the comments have not been approved by City Council. This letter will be shared with the City's Committee's and Council at the earliest opportunity. Should Council determine any additional comments or refinements to these comments are required the Province will be advised at the earliest opportunity.

Sincerely,

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