

Hon. Steve Clark
Minister of Municipal Affairs and Housing
College Park 17th Floor, 777 Bay St
Toronto, ON M7A 2J3

November 21, 2022

Dear Minister Clark,

I am writing on behalf of the Mayors and Regional Chairs of Ontario (MARCO) regarding Bill 23, *More Homes Built Faster Act, 2022*.

MARCO brings together the province's 16 largest municipalities that deliver and help fund provincially mandated health, social assistance, community safety and housing services. Together, the MARCO heads of council strive to work with each other and the provincial government to advance policy and program decisions that produce effective outcomes for the 9.7 million residents we collectively represent.

At our recent meeting, mayors and chairs gathered to discuss Bill 23 and its impact on our communities. Our position is as follows:

- MARCO supports many of the desired outcomes of Bill 23. We believe there are opportunities to reform planning processes to address the housing crisis. We are willing partners and remain committed to working with the province to help achieve the goal of building 1.5 million homes over the next 10 years.
- MARCO is concerned the proposed development financing policy changes create a need for current taxpayers to fund growth-related infrastructure investments. This could further challenge affordability and backslide on progress made to resolve longstanding infrastructure deficits.
- While MARCO supports many of the changes proposed by Bill 23, members remain concerned that its current form presents unintended consequences that do not address the dependencies between land use policy, infrastructure planning, construction phasing and financing involved in successfully realizing the legislation's desired outcomes.

Attached to this letter is analysis from our staff that we believe will be helpful as the government implements changes proposed in the bill. This includes assessments by the Regional and Single Tier CAOs, the Regional Planning Commissioners of Ontario, and the Ontario Regional and Single Tier Treasurers. We believe this analysis may help the government to avoid unintended consequences, while delivering on the desired goals of the legislation.

As always, MARCO heads of council and our staff are keen to be partners for government. Please reach out if you or your staff have any questions concerning the attached analysis. We look forward to future collaboration.

Sincerely,



Karen Redman
Chair, Mayors and Regional Chairs of Ontario
Chair, Regional Municipality of Waterloo

cc: Hon. Doug Ford, Premier of Ontario
Kate Manson-Smith, Deputy Minister, Ministry of Municipal Affairs and Housing
Ed Archer, Chair, Regional and Single Tier CAOs
Thom Hunt, Chair, Regional Planning Commissioners of Ontario
Craig Dyer, Chair, Ontario Regional and Single Tier Treasurers
Darrin Canniff, Mayor, Municipality of Chatham-Kent
John Henry, Chair, Regional Municipality of Durham
Gary Carr, Chair, Regional Municipality of Halton
Andrea Horwath, Mayor, City of Hamilton
Bryan Paterson, Mayor, City of Kingston
Josh Morgan, Mayor, City of London
Office of the District Chair, District Municipality of Muskoka
Jim Bradley, Chair, Regional Municipality of Niagara
Mark Sutcliffe, Mayor, City of Ottawa
Nando Iannicca, Chair, Regional Municipality of Peel
Paul Lefebvre, Mayor, City of Greater Sudbury
Ken Boshcoff, Mayor, City of Thunder Bay
John Tory, Mayor, City of Toronto
Drew Dilkens, Mayor, City of Windsor
Wayne Emmerson, Chair, Regional Municipality of York

November 9th, 2022

Summary of Bill 23 for MARCO



Prepared by Region and
Single Tier CAOs

Table of Contents

Table of Contents	1
Issue	2
Recommendation	2
Background	2
Analysis	3
Reduced Municipal Revenue for Infrastructure	3
Reduced Capacity for Regional Coordination and Service Planning	4
Unintended Consequences	5
Next Steps	6
Appendices	6

Issue

Bill 23, the Building More Homes Faster Act, introduces fundamental changes to municipal governance and municipalities' financial sustainability. Regional and Single-tier CAOs believe the legislation's laudable outcomes rely on policy changes that create unintended consequences which could impair the province's ability to achieve its housing targets and produce negative financial implications for municipalities and taxpayers.

Recommendation

- That the Chair present MARCO's position on Bill 23 to the Minister of Municipal Affairs and Housing with a letter that generally reflects the issues described here and that addresses the following:
 - a. MARCO's support for the Bill's desired outcomes – MARCO municipalities are willing partners that can help the province achieve its desired outcome of 1.5M new housing units.
 - b. Financial implications – MARCO is concerned the proposed development financing policy changes create a need for current taxpayers to fund growth-related infrastructure investments, resulting in affordability concerns and backsliding on progress made to resolve longstanding infrastructure deficits
 - c. Need for collaboration – MARCO supports many of the changes proposed by Bill 23, yet it remains concerned its current form presents unintended consequences that do not address the dependencies between land use policy, infrastructure planning, construction phasing and financing involved in successfully realizing the legislation's desired outcomes

Background

On October 25 the province introduced Bill 23, *More Homes Built Faster Act, 2022*, which fundamentally alters the province's land use planning system and municipal governance frameworks. This legislation is intended to reduce the cost, time and policy requirements associated with constructing housing as well as building 1.5 million new homes by 2032.

The *Act* changes municipal planning approvals, the role of Conservation Authorities and wetland protections, and development fees and charges. These changes also affect major infrastructure provisions and, likely, municipal governance. The relationship between these changes and their effect on the goal of building 1.5 million new homes within the next ten years is not always clear, and we believe it is not always positive. **Appendix A** provides the legislation's key features.

Your CAOs broadly agree with the Ontario Government's contention that reform of the land use planning process is needed to facilitate the goal of more housing. Ontario's development landscape includes too many policy and procedural requirements that provide, at best, marginal benefit. Nevertheless, Bill 23 proposes some changes that would likely impair, not enable, the province's ability to build 1.5 million new homes. We believe we can effectively address those changes in a dialogue with the province that emphasizes positive change for Ontario's development industry.

Analysis

Implications of Bill 23 Vary Among MARCO Members

The effects of Bill 23 vary across MARCO's membership. Proposed changes are relatively straightforward for some members since they are already built into current Official Plans, while others face substantial shifts that affect not only policy, but also staffing levels.

- Everyone with development charge policies will experience financial implications.
- In some instances, *Development Charges Act* changes that remove housing services as an eligible service for development charges will result in the termination of the Regional Housing Master Plans and put planned projects in jeopardy.

As **Appendices B and C** describe, your Planning Directors and Treasurers assessed a variety of technical issues associated with the directions proposed by Bill 23. Essentially, these can be summarized as:

- Reduced municipal revenue for infrastructure
- Reduced capacity for regional coordination and service planning
- Unintended consequences prompted by Bill 23's proposed changes

These issues can be resolved with further collaboration between MARCO and the Minister of Municipal Affairs and Housing. Your CAOs believe solutions are available that mitigate risk and avoid creating new problems that reduce the potential for the province to achieve its housing goal.

Reduced Municipal Revenue for Infrastructure

Bill 23 proposes a variety of development charge discounts and exemptions. It also introduces changes to the types of eligible charges that could be used to calculate DC rates. Financial implications among MARCO members vary, but they are universally negative.

Bill 23 will reduce development charge revenue. This will exacerbate the current, known gaps in DC funding capacity and weaken municipal financial condition. Municipalities will have to choose between building less growth-related infrastructure, and replacing the DC revenue with an alternate funding source. Typically, the alternate funding would be property taxes unless the province offers a new funding source. This exacerbates the current, known gaps in DC funding capacity and weakens municipal financial condition.

Specifically, development charge rates (for by-laws passed as of June 1, 2022) would be subject to a mandatory five-year phase in. The first year of a by-law would see rates reduced by 20 per cent, followed by 15 per cent in year two, 10 per cent in year three, and five per cent in year four. The full rate will be realized in year five. This will have a significant cash flow impact to municipalities attempting to fund growth related infrastructure.

Bill 23 would remove housing services from the list of eligible DC services, reducing the amount of funding available to municipalities in their capacity as Service Manager. While the long-term ramifications of this will mean less, not more affordable housing supply, projects may also have to be cancelled in the short-term due to planned spending from DC revenue.

The legislation changes the term applicable to DC bylaws. Currently, DC bylaws need to be renewed every five years. This new legislation proposes they would remain in effect for 10 years. This increases the risk some costs will not be included in rate calculations, creating a shortfall that would be picked up by existing property taxpayers.

Overall, Bill 23 shifts a portion of the obligation for funding growth-related infrastructure onto existing property taxpayers. This will further constrain municipalities' abilities to address infrastructure renewal needs and increase the risk of service interruptions due to asset failures. It also increases the risk assets required to support housing development will not be available when they are needed. The provincial government is asking for more, costly greenfield development at the same time as it is reducing the ability of municipalities to pay for it.

Reduced Capacity for Regional Coordination and Service Planning

The province proposes to reduce or eliminate the planning roles of some upper-tier municipalities. Local and Regional governments already collaborate extensively on managing local planning policy matters. Most of the routine planning matters have already been delegated to lower-tier municipalities in a two-tier local government. The residual role in planning for upper tier government is not yet entirely clear; however, your CAOs believe there continues to be an important role for regional planning, even if their involvement in day-to-day development approvals is curtailed.

Bill 23 introduces the risk that regional aspects of local development such as water/wastewater infrastructure planning, phasing and capacity allocations cannot be managed effectively by local municipalities alone. This will require a degree of coordination between local municipalities regarding infrastructure servicing for new developments that Regional/County governments provide now. Without a coordinating body to facilitate such planning, ensuring adequate capacity and deciding where it will be built will likely take more time and cost, not less. Municipalities also rely on conservation authority experts for environmental input. Ensuring expert input into development applications will help ensure more viable development.

The bill is silent on key elements that support housing and infrastructure development. In particular, labour and material costs and availability, as well as inflationary pressures, are not addressed.

This increases the risk of inadequate supply to enable new development, or overbuilt infrastructure that remains underutilized for decades, with a consequential negative impact on current ratepayers. Proper infrastructure planning – including both capacity management and construction phasing – is essential to ensure limited funds are efficiently used and infrastructure is efficiently deployed. Disagreements about how to deploy infrastructure will slow the overall pace of residential development. In our view, Bill 23 needs to be amended to restore the growth management planning function for the seven named upper-tier municipalities.

While it is reasonable to assess the municipal implications of Bill 23, municipalities do not control every step in the development process. Bill 23 offers no direction regarding the substantial inventories of developable lands for housing exist that can proceed to construction now but are not being built. Reviewing existing developable land availability and understanding why it has not yet proceeded would inform choices about reaching the 1.5 million housing unit goal. There appear to be developers with approved units in draft approved plans of subdivision that could proceed to development today, but steps to move to construction appear not to be occurring. A policy change that addressed this apparent gap would likely have significant influence over the ability to achieve the province's housing goal.

Our Northern cities have unique growth challenges that may be more difficult to overcome when the Growth Plan for the Greater Golden Horseshoe is integrated with the Provincial Planning Statement. The province could consider amendments to the Growth Plan for Northern Ontario to ensure growth can move forward effectively in this region.

Unintended Consequences

Bill 23 introduces several “as of right” land uses that can enable more housing in developed areas. Ensuring such development has sufficient servicing capacity or access to public services, however, is not addressed. The potential for infrastructure renewal plans to require upsized assets that weren't contemplated when financing plans were originally established may produce new funding obligations for existing tax/ratepayers.

Bill 23 will allow land speculators to “open up” more parcels for development that are not close to infrastructure. This will tie up already stretched municipal planning staff and divert their efforts from supporting developers ready to build on serviced land.

Allowing more units within an existing building, particularly in communities with post-secondary institutions, increases the potential for a proliferation of illegal rooming houses. The demands these will create on local services such as By-law enforcement or police, will present new funding pressures on taxpayers. Municipalities will need effective mechanisms to support changing neighbourhoods.

Planning Act amendments materially change inclusionary zoning by limiting the set-aside rate to 5%, restricting the duration of affordability to 25 years, and establishing prices at 80% of average resale/market rental prices while exempting units from development charges. This would end the utility of Inclusionary Zoning.

As a practical matter, lower-tier municipalities that would now have to incorporate regional planning experts into their staff teams will find the same shortage of available workers that virtually every other sector is experiencing right now. This problem would be exacerbated at the provincial level, which would also have to “staff up” to properly support service demands that will remain high for the foreseeable future. Successor rights in current collective agreements may also create cost pressures that local municipalities wouldn't otherwise experience. Without the staff to perform the work, notwithstanding the incremental effort to ensure appropriate service coordination occurs, development applications will not be processed faster.

Under Bill 23, Conservation Authorities (CAs) will have a reduced ability to ensure environmental protections are maintained since they will change from an “approval authority” to a “commenting agency” on issues that are not part of their core mandate.

Bill 23 eliminates the ability of municipalities to enter an MOU for CAs to deliver Category 2 “municipal programs and services” on behalf of the municipality. This role had been set out by MNRF Regulations proclaimed only in 2021, after a productive Ministry-led multistakeholder consultation. This elimination is expected to adversely effect municipal budgets, as municipalities are compelled to staff up to deliver the programs and services that would otherwise have been delivered by the CA. There is increased potential for delay and poorer environmental outcomes.

Next Steps

Your CAOs believe these issues can be addressed and the risks described here can be mitigated through further dialogue with the province. MARCO, as a concerned partner in the province’s development processes, should support the achievement of housing targets and facilitating affordable housing for everyone. Chair Redman should request a meeting with the Minister of Municipal Affairs and Housing to address the issues noted here and offer municipal expertise to resolve them.

These outcomes depend on the availability of sufficient, appropriate infrastructure and a sustainable financing plan. Bill 23 currently increases the risk these essential elements won’t be available like they need to be to open up land for housing development. In addition, Bill 23 leaves unaddressed other factors like interest rates, supply chain, skilled labour and material cost and/or availability that should be considered constraints to achieving Ontario’s housing goals.

Appendices

- **A:** Bill 23 key features
- **B:** Regional Planning Commissioners of Ontario analysis of Bill 23
- **C:** Regional Treasurers of Ontario analysis of Bill 23

Appendix A:

Bill 23 Key Features

Key Findings

Key changes brought forth by the Act are summarized below.

Approval Authorities

- All upper tier municipalities in the Greater Toronto Area, Waterloo and Simcoe will be removed from the Planning Act approval process for both lower tier official plans and amendments and plans of subdivision.
- Lower-tier Official Plans and Official Plan Amendments are subject to approval by the Minister instead of upper tier municipalities and the Minister's decisions are not subject to an appeal.
- Amendments to the Ontario Underground Infrastructure Notification System Act aim to improve the processes and requirements for the construction of underground infrastructure, enabling construction in the province to be completed faster and more efficiently.
- Currently, section 23 of the Act enables the Minister to amend official plans, where the plan is likely to adversely affect a matter of provincial interest. This section is re-enacted to eliminate certain procedural steps to which the Minister's power to make orders is subject, and to remove the possibility of the Minister requesting that the Tribunal hold a hearing on a proposed amendment.
- Only the applicant, municipality, certain public bodies, and the Minister may appeal municipal decisions regarding *Planning Act* applications to the Tribunal. Existing third-party appeals where no hearing date has been set as of October 25 will be dismissed.

Conservation Authorities

- Permits will not be required within conservation authority-regulated areas if the activities are part of development authorized under the *Planning Act*.
- A single regulation is proposed for Ontario's 36 Conservation Authorities.
- Comments from Conservation Authorities as part on development applications will focus on natural hazards and flooding.
- A program is being considered, which may consider development on wetlands provided a net positive impact is demonstrated.
- The Minister may develop regulations limiting the types of conditions that may be attached to a permission.

Protected Major Transit Station Area (PMTSA)

- Zoning by-laws are to be amended within one year of a PMTSA/MTSA being approved to include minimum heights and density targets.
- A new subsection prevents certain appeals of zoning by-laws related to PMTSAs if more than a year has passed since related official plan policies or amendments came into effect.

Development Approvals Process

- Most projects with fewer than 10 residential units will be exempt from site plan control requirements.
- Exterior design is no longer subject to site plan control in Toronto through amendments to the City of Toronto Act (2006).
- Public meetings no longer will be required for applications for approval of a draft plan of subdivision.
- The newly introduced Supporting Growth and Housing in York and Durham Regions Act will expediate the construction of significant sewage infrastructure to service York and Durham regions.
- Developers will be permitted to construct up to three residential units per lot with no minimum unit sizes, without amendments to the zoning by-law.
 - o These units will be exempt from parkland requirements, development charges and community benefits charges, and no more than one additional parking space can be required.

Fees and Levies

- Affordable housing, non-profit housing, inclusionary zoning units, and select “attainable housing” (to be defined in future regulations) units are to be exempt from municipal development charges (DCs), parkland dedication levies and community benefit charges (CBCs)
- *Parkland Requirements*
 - o Parkland rates will be frozen as of the date that a zoning by-law or site plan application is filed.
 - o For sites under 5 hectares, a maximum 10 percent of the land conveyed, or its value can be paid in lieu. For sites greater than 5 hectares, and 15 percent for the land conveyed, or its value can be paid in lieu.
 - o Maximum alternative dedication rate is reduced to 1 hectare per 600 units for land and 1 hectare per 1000 units for cash in lieu.
 - o Encumbered parkland/strata parks, as well as privately owned publicly accessible spaces (POPS) may be dedicated as parkland.
 - o Landowners to identify land to be conveyed to a municipality. An appeal to the Tribunal may be made in case of a disagreement.
- *Development Charges*
 - o Reduced DCs for rental housing development based on the number of bedrooms. DCs will be reduced by up to 25 percent for family-sized rental units with three or more bedrooms.
 - o Five-year phase in of DC rate increases, starting with a 20 percent reduction in year one, decreasing by 5 percent each year until the full new rate applies.
 - o DCs may not be imposed for housing services.
 - o Cost of certain studies will not be recoverable through DCs.
 - o New regulation authority will set services for which land costs would not be an eligible capital cost recoverable through DCs.
 - o DC by-laws will expire ten years after coming into force.
- *Community Benefits Charges*
 - o CBCs shall not exceed the percentage of the land value multiplied by a ratio based on floor area.
 - o CBCs will be based on the value of land proposed for new development, not the entire parcel.

Heritage Planning

- Heritage registers are to be reviewed to determine whether a property has cultural heritage value or interest, and if not, the property must be removed from the register.
- Municipalities will not be able to designate a property under Part IV of the Ontario Heritage Act unless the property is on the heritage register when the current 90-day requirement for Planning Act applications is triggered.
- A ministry or prescribed public body is not required to comply with all of the approved heritage standards and guidelines if the exemption could advance transit, housing, health, long-term care, infrastructure, or other priorities.
- Information included in the register of property of cultural heritage value or interest will be made accessible to the public.

Rental Replacement

- Conditions may be imposed on the City's powers to prohibit and regulate the demolition and conversion of residential rental properties.

Ontario Land Tribunal (OLT)

- Regulations may be developed to prioritize OLT cases that meet certain criteria, such as creating more housing.
- The Tribunal may order costs against a party who loses a hearing and dismiss appeals for undue delay.

Appendix B:

Regional Planners of Ontario Analysis of Bill 23



MAKING ROOM:

Shaping Big Housing Growth and Affordability in Ontario

Understanding the Big Picture, Addressing the Big Gaps

Prepared by the
Regional Planning Commissioners of Ontario

November 2, 2022 Version (for review by RSTCAOs)

Table of Contents

Executive Summary	3
Introduction	7
Why do we need to more actively plan for and shape growth now?	7
The big picture and big implementation gaps	9
1. Shaping growth and creating opportunities for affordability at a macro scale	9
2. Housing affordability at a deeper level: understanding and addressing both supply and demand dynamics	11
3. Addressing affordability and accessibility issues outside of open market housing dynamics	13
4. Building and financing: the right infrastructure at the right time, fees and charges	14
5. Creating velocity and avoiding unintended consequences through meaningful collaboration	16
6. Supporting innovation, continuous improvement and nimbleness	17
A closing note	20
References	22

Executive Summary

The Regional Planning Commissioners of Ontario (RPCO) is an organization whose upper and single-tier municipal members provide planning services and give planning advice to municipal Councils that represent approximately 80% of Ontario's population. As such, we are fully engaged on a daily basis in matters which are urban and rural; northern and southern; small town and big city. We also understand the importance of having a healthy development industry to support community vitality across Ontario.

This report, entitled *Making Room: Shaping Big Housing Growth and Affordability in Ontario*, seeks to address the current state of Ontario in the face of today's growth pressures by providing a big picture view of housing dynamics. The report also identifies big implementation gaps in addressing key growth pressures across Ontario.

You will find that many of these gaps pertain to housing affordability, arguably the Province's biggest housing challenge.

We have concluded that the gaps identified in this report need to be addressed right now, and in conjunction with constructive changes to the Province's Bill 23, *More Homes Built Faster Act, 2022*. Some of these gaps specifically pertain to municipal service delivery.

There are six foundational themes in this report:

1. Shaping Growth and Creating Opportunities for Affordability at a Macro Scale;
2. Housing Affordability at a Deeper Level: Understanding and Addressing Both Supply and Demand Dynamics;
3. Addressing Housing Affordability Issues Outside of Open Market Dynamics;
4. Building and Financing : The Right Infrastructure at the Right Time, Fees and Charges;
5. Creating Velocity and Avoiding Unintended Consequences through Meaningful Collaboration; and
6. Supporting Innovation, Continuous Improvement and Nimbleness.

Based on these six foundational themes above, our 21 Big Gaps (summarized below) need to be addressed using well-conceived and practical implementation tools, identifying responsible parties and deadlines for completion:

Gap 1: It is unclear how the allocation of 1.5 million new homes across Ontario by the end of 2031 can occur in light of big mitigating factors like labour shortages, rising interest rates, and substantially reduced municipal development-related fees and charges. It is also unclear how the delivery of different housing affordability types will be guaranteed to be built.

Gap 2: Regional governments play essential roles in planning, financing, and delivering big infrastructure to support growth management for millions of people. It is unclear why, at a minimum, Regions are not given status in Bill 23 as “Regional Infrastructure Delivery Agencies” or Authorities. Furthermore, a big gap exists in the definition of infrastructure, which should include natural infrastructure like groundwater recharge and discharge features. The protection of such natural systems that extend beyond local boundaries does not appear to have been addressed in Bill 23.

Gap 3: In introducing more intensification as-of-right in all Ontario municipalities, all forms of development must reflect design excellence (in terms of form, function and performance) and intensifying in built up areas must be especially sensitive to (existing) built and natural environments. However, Bill 23 would reduce site plan requirements and would limit the ability of municipalities to require sustainable design performance measures like the City of Toronto *Green Standard*. More work-from-home rights may also be needed.

Gap 4: Some municipalities have already been creating public green or recreational spaces on privately owned property and have looked to other solutions like public spaces on roof tops, both arguably less than optimal solutions to having adequate and accessible ground-level, publicly owned recreational or passive natural areas. However, the reduction of the ability of municipalities to shape the amount, location and type of green space under Bill 23 would seem to contradict these compelling and growing community needs.

Gap 5: There is a compelling need for a more fulsome analysis to examine all material supply and demand side factors in Ontario that affect housing availability and affordability, measures to address them, responsible parties and timing.

Gap 6: Many municipalities maintain that substantial inventories of developable lands for housing exist that can proceed to construction now, but are not being built. There is an urgent need to review municipal land inventories to understand existing

developable land availability to builders (e.g. draft approved plans of subdivision that can proceed to development today, larger parcels of pre-zoned land available for intensification) and the reason(s) for which development has not proceeded.

Gap 7: It is unclear why Bill 23 does not enable area municipalities to contract with Regional governments to provide growth-related services, particularly for small rural municipalities with minimal planning resources.

Gap 8: There appears to be a lack of Provincial-municipal- development industry engagement tables that meet regularly to address both occasional and systemic bottlenecks in the development review process.

Gap 9: It is unclear whether anyone is leading in the actual measurement of outcomes for “in the ground” prototype developments that keep a range of housing types or arrangements (at various levels of affordability) truly affordable.

Gap 10: Bigger pilot projects are not occurring through partnerships between the Province, municipalities and the home building industry to construct a range of units targeting different levels of housing affordability at much larger scales.

Gap 11: There remains an urgent need to create a tangible, workable, on the ground strategy for building “hard to get” housing affordability types on publicly owned lands.

Gap 12: As a result of Bill 23, there is an urgent need to revisit the process for determining the right infrastructure to be built, sustainable financing approaches and accelerated construction timelines for a variety of communities across Ontario.

Gap 13: Should the Province ultimately choose to proceed to reduce or waive municipal rights to collect development charges and/or other municipal fees and charges, municipalities must be fully compensated for the gap created by such financial losses to be able to support growth.

Gap 14: Collaborate, collaborate, collaborate. There are many critical issues of the day. All parties must be mindful and responsive to related challenges.

Gap 15: Issues of greater risk, liability and litigation are real and expected outcomes of Bill 23.

Gap 16: There is a compelling need to better plan for student enrollment levels with major post-secondary institutions that can negatively and materially impact available local housing supply, especially housing that is affordable to lower income households.

Gap 17: There is an urgent need to review the process, content and turnaround times for Ministries and other Provincial bodies that receive development applications for comment and planning frameworks for approval.

Gap 18: Likewise, there is an urgent need to review the process, content and turnaround times for Provincial responses to development applications on more complex contaminated sites (i.e. properties requiring some form of environmental remediation), and revisit remediation options.

Gap 19: There is a long-standing need to consider major changes to the Ontario Land Tribunal in terms of both hearing resources and the appeal process itself.

Gap 20: The development industry should explore more contemporary ways of approaching home building.

Gap 21: Under Bill 23, there appears to be no explicit connection made between Ontarians having good housing choices and support for both preventive and reactive health care needs. This disconnect is apparent despite health care remaining one of the Province's greatest cost centres, which also continue to rise rapidly. Recognize, accommodate, and support housing arrangements that also create health care solutions.

The draft legislation supporting the Province's Bill 23, the *More Homes Built Faster Act*, seeks to support building more homes, helping home buyers, reducing construction costs and fees, and streamlining development approvals. In fact, the legislation is seriously misaligned with these goals, and does little to address the Big Gaps described in this report.

Major unintended consequences are also expected to result from the misalignment of the legislation with the main themes of Bill 23. These unintended consequences include increasing the financial burden for municipal taxpayers by making them pay more for growth, reducing the ability to create new parks and other open spaces, limiting citizen rights, making it impossible for some municipalities to build supporting infrastructure on time to support growth, and removing effective regional growth management, especially in ensuring the efficient use of infrastructure and protecting vital natural systems that cross municipal boundaries.

All parties involved in the creation of new homes should make working to increase the velocity of housing production their highest shared priority. This must include the many different housing affordability types and tenures.

Introduction

The Regional Planning Commissioners of Ontario (RPCO) is an organization whose upper and single-tier municipal members provide planning services and give planning advice to municipal Councils that represent approximately 80% of Ontario's population. As such, we are fully engaged on a daily basis in matters which are urban and rural; northern and southern; small town and big city. We also understand the importance of having a healthy development industry to support community vitality across Ontario.

This report, entitled *Making Room: Shaping Big Housing Growth and Affordability in Ontario*, seeks to address the current state of Ontario in the face of today's growth pressures by providing a big picture view of housing dynamics. The report also identifies big implementation gaps that pertain to or affect the ability to address key growth pressures across Ontario.

You will find that many of these gaps pertain to housing affordability, arguably the Province's biggest housing challenge.

We have concluded that the gaps identified in this report need to be addressed now, and in conjunction with constructive changes to the Province's Bill 23, *More Homes Built Faster Act*, 2022. Some of these gaps specifically pertain to municipal service delivery.

Why do we need to more actively plan for and shape growth now?

Over the past few years, especially during earlier days of the Covid-19 pandemic, Ontarians experienced an abrupt shift in their daily living and working environments. This was followed by many major economic events, including material (supply chain) shortages, record inflation (especially for energy and groceries) and a torrid real estate market, with buyers taking advantage of record low borrowing rates and high equity positions. Growth pressures were seen across Ontario communities, especially as remote work became an accepted norm, and people were able to live at much greater distances from their traditional places of work.

In the face of these changes and growth pressures, this report has been prepared, recognizing that municipalities and the Province of Ontario have some common contemporary goals. As municipal planning leaders and community builders, foremost to us today are the following issues:

- **Addressing big growth demands and affordability pressures in communities across Ontario using comprehensive Growth Management Strategies and Tactics that reflect regional geographies and economies. Ontario is a “community of communities”, with widely differing contexts;**
- **Protecting and where possible enhancing the quality of life of all Ontarians**, and always through the application of design excellence (both in form and function). The development of complete communities should also be enhanced with a broader suite of housing affordability opportunities and more community-benefitting features (e.g. more public services and green space);
- **Aggressively supporting economic vitality**. This includes aspects that the pandemic has shone a light on, such as remote work, place-making, the evolution of retailing, the need to strengthen domestic supply chains, and the economic opportunities accruing to Provinces that are nimble and responsive in doing so;
- **Adding more people to most sectors of the work force**, and addressing the sustained critical shortage of skilled trades;
- **Protecting and maintaining a healthy natural environment** to support all of our activities, and the need to avoid artificially separating economic from environmental considerations;
- **Recognizing that we are experiencing climate change impacts and that people are making greener energy shifts**, both of which have big planning and financial implications;
- **Designing better health and wellness systems in Ontario**, including the protection and expansion of parks and other natural areas, the ability of neighbours to help neighbours through more flexible housing arrangements, and placing greater emphasis on preventive and in-home health care solutions;
- **Recognizing that roles and levers exist at all levels of government that must be active, coordinated and nimble**; and
- **Supporting Ontario’s desire to achieve nationally and globally shared objectives.**

The Big Picture and Big Implementation Gaps

To address today's challenges and opportunities, RPCO has developed the following six foundational themes, and has identified a series of implementation gaps that need to be addressed now. We see all levels of government and the development industry collaborating to fully address these gaps, using well-conceived and practical implementation tools, with defined timelines and responsible parties.

1. *Shaping Growth and Creating Opportunities for Affordability at a Macro Scale*

The Smart Prosperity Institute, under demographer Dr. Mike Moffatt, has undertaken some analysis on the prospect of adding 1.5 million new housing units in Ontario by the end of 2031. This work was funded by the Ontario Home Builders Association. Through its publication entitled "*Baby Needs a New Home: Projecting Ontario's Growing Number of Families and Their Housing Needs*" (October 2021), Dr. Moffatt and his team examined some supply side factors affecting growth, and RPCO has had the opportunity to discuss this work and other related issues with Dr. Moffatt.

At this point, it is unclear how this proxy of 1.5 million new homes across Ontario by the end of 2031 relates to the Province's *A Place to Grow: Growth Plan for the Greater Golden Horseshoe* (the Growth Plan). The Growth Plan has now been used for well over a decade to define areas for development, coordinate infrastructure, and define areas requiring protection (e.g. the Green Belt). The Growth Plan has formalized good planning requirements in tangible ways, including mandates for transit, higher orders of development density and the protection of employment lands.

There are several points of clarification that need to accompany any review of this work. First and foremost, Dr. Moffatt openly notes that 1.5 million new homes does not have to be 1.5 million newly built units. In fact, Dr. Moffatt acknowledges that better, more fulsome use of Ontario's existing housing stock can create a large proportion of these units, including ownership, rental and secondary suites. In discussion with RPCO, Dr. Moffatt also indicated that he does not advocate for allowing more development to occur in the Green Belt (which includes the Oak Ridges Moraine). Members of RPCO also remain committed to the protection of natural environmental systems across Ontario (including the Niagara Escarpment), as well as the protection of prime agricultural land, whose importance has been highlighted through many ongoing discussions regarding the need to bolster domestic supply chains.

Secondly, the Smart Prosperity Institute report acknowledges that its work focused on what Ontarians want, and that the study does not offer predictions or forecasts. In fact, the results are noted as representing “a projection of one of many possible futures”.

On the methodological side, RPCO discussed several issues with Dr. Moffatt and has identified other questions through its own review. This includes the study’s approach of “a unit being a unit” (i.e. not differentiating unit types), headship rates in Ontario, average household sizes (in relation to “rest of Canada”), and the accuracy of disaggregated Ministry of Finance growth estimates.

One of the most important aspects of the approach used in *Baby Needs a New Home* is what supply side issues were considered and how other influences, including demand side factors, were not accounted for. As an example, Dr. Moffatt noted his interest in examining the labour side of growth management and the bottleneck that labour shortages create. In fact, Canada Mortgage and Housing Corporation noted the same concerns in its October 2022 report on labour capacity constraints. These supply and demand-side factors are described in greater detail in Section 2 below.

Gap 1: It is unclear how the allocation of 1.5 million new homes across Ontario by the end of 2031 can occur in light of big mitigating factors like labour shortages, rising interest rates, and substantially reduced municipal development-related fees and charges. It is also unclear how the delivery of different housing affordability types will be guaranteed to be built.

Gap 2: Regional governments play essential roles in planning, financing and delivering big infrastructure to support growth management for millions of people. It is unclear why, at a minimum, Regions are not given status in Bill 23 as “Regional Infrastructure Delivery Agencies” or Authorities. Furthermore, a big gap exists in the definition of infrastructure, which should include natural infrastructure like groundwater recharge and discharge features. The protection of such natural systems that extend beyond local boundaries does not appear to have been addressed in Bill 23.

Gap 3: In introducing more intensification as-of-right in all Ontario municipalities, all forms of development must reflect design excellence (in terms of form, function and performance), and intensifying in built up areas must be especially sensitive to (existing) built and natural environments. However, Bill 23 would reduce site plan requirements and would limit the ability of municipalities to require sustainable design performance measures like the City of Toronto *Green Standard*. More work-from-home rights may also be needed.

Gap 4: Some municipalities have already been creating public green or recreational spaces on privately owned property and have looked to other solutions like public spaces on roof tops, both arguably less than optimal solutions to having adequate and accessible ground-level, publicly owned recreational or passive natural areas. However, the reduction of the ability of municipalities to shape the amount, location and type of green space under Bill 23 would seem to contradict these compelling and growing community needs.

2. *Housing Affordability at a Deeper Level: Understanding and Addressing Both Supply and Demand Dynamics*

The availability of housing is affected by both supply-side and demand-side factors. What does this mean?

In the case of housing, supply-side issues include the following key factors:

- Availability of raw land for development, especially where demand is greatest;
- Pace of development by builders, especially their ability to bring land to market even sooner than occurs today. Builders are very challenged in hyper-demand housing markets by a variety of issues;
- Approvals in place for development to proceed, including decisions made through appeals;
- Availability of supporting infrastructure;
- Building material availability (including dealing with domestic supply chain constraints);
- New material uses (e.g. more engineered wood products).
- A ready supply of workers, including skilled trades; and
- Ways to be more efficient (e.g. using more pre-sized material to reduce time and waste).

Demand-side Issues affecting housing include the following key factors:

- Household Income, which largely determines the ability to be lending-eligible and to cash flow a home. It is important to note that income levels have not kept pace with the rapidly increasing price of housing in Ontario. Extensive work on this and related housing issues has been published by RBC, as well as by many other housing researchers;
- Lending (Interest) rates, which are now rising significantly but were at record lows in the past few years, allowing more households to be eligible for much larger borrowing levels, and driving the ability to pay more;

- Household equity, which grew at record levels during the most recent real estate market surge, fueling buying power;
- Household formation preferences, like multi-generational families who may choose to always live together;
- Historical and emerging unevenness of demand (e.g. there are real signs of the market cooling, especially in the face of significant increases in lending rates); and
- Immigration and foreign investment demand, exemplified by enrollment decisions made by post-secondary institutions that can drive up local housing demand, especially in “town and gown” communities.

The Smart Prosperity Institute openly and transparently acknowledges that its work was focused on specific matters on the supply side of the housing equation. Some supply factors that create bottle necks were not thoroughly examined. As previously noted, for example, the Smart Prosperity Institute remains interested in examining in greater detail how and to what extent labour and skills shortages affect housing production. These shortages have been prominently raised in media coverage as well, including the *Globe and Mail*'s John Lorinc noting “A bad mixture of an aging workforce, stalled immigration and slow training has many worried”.

Ontario's Big City Mayors (OBCM) noted early in 2022 that there are thousands of units approved for development in Ontario's largest municipalities but are not built. Why is this the case? It is an important issue that needs to be addressed.

Finally, the challenges of getting infrastructure in place to support this level of growth (e.g. financed, built and operational in a timely manner) is also a concern shared by both RPCO and Dr. Moffatt. Infrastructure is more fully addressed in Section 4 below (Building and Financing).

Gap 5: There is a compelling need for a more fulsome analysis to examine all material supply and demand side factors in Ontario that affect housing availability and affordability, measures to address them, responsible parties and timing.

Gap 6: Many municipalities maintain that substantial inventories of developable lands for housing exist that can proceed to construction now, but are not being built. There is an urgent need to review municipal land inventories to understand existing developable land availability to builders (e.g. draft approved plans of subdivision that can proceed to development today, larger parcels of pre-zoned land available for intensification) and the reason(s) for which development has not proceeded. This can assist in better understanding comments made by Ontario's Big City Mayors (OBCM) in 2022 that more approved development lands and buildings are available in larger

Ontario communities than are being built for new housing. RPCO understands that the Province has committed to review the existing development land supply noted by the OBCM.

Gap 7: It is unclear why Bill 23 does not enable area municipalities to contract with Regional governments to provide growth-related services, particularly for small rural municipalities with minimal planning resources. Local municipalities may not want to possess new skilled staff, and limited development potential may not warrant the creation of a new business unit in any event.

Gap 8: There appears to be a lack of Provincial-municipal development industry engagement tables that meet regularly to address both occasional and systemic bottlenecks in the development review process. These tables should be led by independent facilitators. Municipalities continue to review their municipal service delivery processes and are grateful for more recent Provincial support under the *Streamlining Development Approval Fund*.

3. Addressing Affordability Issues Outside of Open Market Housing Dynamics

For some Ontarians, there are housing needs that cannot be met through healthy open market (supply and demand) dynamics. This can include lower wage-earning households, the elderly, and people with other special needs and vulnerabilities. In these cases, housing solutions must somehow be subsidized or otherwise provided outright by government, not for profit and philanthropic sources. These “out of market” housing needs can vary across Ontario communities. In major employment areas, lower paid employees may have little opportunity to find and afford suitable housing, creating long daily commutes and sometimes ultimately leaving their places of employment. This has tangible impacts on our provincial economy.

Ontario also possesses a population of people who require additional supports for daily living. For example, they may be recipients of the Ontario Disability Support Program who live with their aging parents. They also do not possess the economic means to sustainably support themselves, especially when their parents become no longer able to provide daily care. Ontario and Canada have always supported people in need through our “social safety nets”. Bill 23 does not appear to address compelling “outside of open market” needs, like those provided in supportive housing communities.

Gap 9: It is unclear whether anyone is leading in the actual measurement of outcomes for “in the ground” prototype developments that keep a range of housing types or arrangements (at various levels of affordability) truly affordable, especially in the medium to longer terms. Furthermore, there are no accompanying targets for subgroups like rental housing and supportive living communities. Even the ability of municipalities to maintain existing rental housing is unaddressed.

Gap 10: Bigger pilot projects are not occurring through partnerships between the Province, municipalities and the home building industry to construct a range of units targeting different levels of housing affordability at much larger scales, and in communities across Ontario (e.g. rural, urban, north, south). A fair and reasonable return on investment should also be included in such contractual arrangements. Members of RPCO are gratefully aware of a handful of developers that have already entered this market space, but there appears to be sizable room for more developers to begin to build a broader range of housing affordability types as well.

Gap 11: There remains an urgent need to create a tangible, workable, on the ground strategy for building “hard to get” housing affordability types on publicly owned lands. While all three levels of government (Federal, Provincial and Municipal) have surplus property disposition protocols, by-laws and other disposal mechanisms, there appears to be little in the way of an integrated implementation strategy that actually creates housing at larger scales, especially housing that is affordable to households in the greatest need. This housing should also be integrated into larger housing developments that reflect a diversity of community needs and choices, and tangibly support equity, diversity and inclusion.

4. Building and Financing: The Right Infrastructure at the Right Time, Fees and Charges

The infrastructure needed to support new development comes in many forms and at significant cost. Water and sewer mains, roads, parks, emergency services, sewage treatment plants, schools and hospitals are only a few examples. Energy supply and supporting infrastructure have also emerged as urgent issues to be addressed by the responsible entities, especially as Ontario moves toward much greater consumer-based electrification in the short term.

As development is planned, there are three basic questions that need to be answered. First, “What is the right infrastructure to be built?” This step includes matters like determining the size of the necessary infrastructure and the area that it will serve, often as part of a larger system or service area. Whether the development is in a greenfield or in an existing built up area will also influence the answer to this question.

The second question is “How will it be paid for?” Municipalities are entitled to collect fees through provincial legislation, including the collection of development charges for growth-related net capital costs. Municipalities need to also have adequate funds to pay for eligible infrastructure, or be willing to borrow funds, as long as their debt limits are not exceeded.

The third question is “How quickly can infrastructure be built?”. Municipalities participate in tendering projects every day for a variety of products and services. The development industry also has its own procurement process or agreements in place as well for things like labour, materials and infrastructure that it is responsible for.

The overarching question is whether the infrastructure required to support growth in Ontario can be defined, financed and built more efficiently. Absent key infrastructure being in place, construction and occupancy cannot occur. Furthermore, the infrastructure challenge may differ in communities across Ontario.

The reduction or “waiving” (forgiveness) of fees and charges is a decision that is particularly susceptible to unintended consequences. There are two main reasons for this susceptibility.

First, there will be a shift from “development paying for development”, to the municipal property taxpayer funding the cost of development (through the municipal tax levy). This means that the industrial and commercial sectors, as property owners, are also expected to be asked to pay in perpetuity for growth-related costs. Economically, this decision would be expected to affect the cost of doing business in Ontario and erode the province's economic competitiveness. Ontario (and all provinces) must be mindful of not creating higher tax jurisdictions, and imposing even greater pressure on consumers, especially at a time when there is very little capacity to absorb any further cost increases.

Secondly, municipalities themselves have a limited capacity to absorb additional costs. Any revenue shortfalls as a result of changes in the ability of municipalities to collect development charges will require municipalities (and more specifically property taxpayers) to pay for these costs. Given the tight state of municipal finances to even maintain existing service levels, the unintended consequence of fee and charge reductions or waivers may well be a delay in the funding and delivery of growth-related infrastructure. If municipalities are not able or willing (e.g. in the face of other compelling community pressures and their own debt limits) to absorb the additional financial burden related to growth, necessary infrastructure may not be built in a timely manner, or at all.

Gap 12: As a result of Bill 23, there is an urgent need to revisit the process for determining the right infrastructure to be built, sustainable financing approaches and accelerated construction timelines for a variety of communities across Ontario. This work should include collaboration with the Regional Public Works Commissioners of Ontario (RPWCO) and the Municipal Finance Officers' Association of Ontario (MFOA).

Gap 13: Should the Province ultimately choose to proceed to reduce or waive municipal rights to collect development charges and/or other municipal fees and charges, municipalities must be fully compensated for the gap created by such financial losses to be able to support growth. Development charges pay only for growth related net capital costs and that ultimately, this infrastructure is assumed by the municipal taxpayer to maintain and replace in perpetuity (typically through multi-year municipal capital asset programs). Direct involvement of RPWCO and MFOA representatives should again occur in undertaking this fiscal impact analysis and compensation.

5. Creating Velocity and Avoiding Unintended Consequences through Meaningful Collaboration

There are two key types of active collaboration that are foundational to accommodating and shaping affordable growth in Ontario today. Both need to be strengthened.

The first collaboration is active, meaningful interaction amongst Municipal, Provincial and Federal government levels. As a starting point, all government levels should be well aligned in identifying shared priorities and their commitment to nimbly act on them. More traditional approaches to problem solving have involved protracted periods of time to reach consensus, marginal time spent on project strategy and management, and sub-optimal implementation.

The second collaboration that requires strengthening is between government and the private sector. Members of RPCO acknowledge that the development industry is the most adept at building housing at scale. Constructing a small number of new affordable housing units is important, but it will not address the large-scale need for many types of housing affordability across Ontario.

Gap 14: Collaborate, collaborate, collaborate. There are many critical issues of the day. All parties must be mindful and responsive to related challenges, like better advanced planning to effectively address impending employee shortages. It is essential

that unintended consequences be avoided, like those described in this report that can result from the reduction or forgiveness of municipal fees and charges.

Gap 15: Issues of greater risk, liability and litigation are real and expected outcomes of Bill 23. One of our biggest worries is the greater potential for catastrophic events to occur, like widespread groundwater contamination and permanent groundwater table draw-down in the absence of any government level (including Conservation Authorities) being responsible for the planning-related protection of watershed-scale natural systems. We need only remind ourselves of past catastrophic events like Hurricane Hazel to drive home the need for comprehensive planning and implementation measures. Regional governments will no longer be able to appeal planning decisions, removing a critical role in protecting such public interests. Furthermore, in the absence of well-coordinated and financed infrastructure, a great deal of litigation involving the Province, municipalities and the development industry should be anticipated. The outcome could be longer periods required for infrastructure to be built, and even the deferral of projects.

Gap 16: There is a compelling need to better plan for student enrollment levels with major post-secondary institutions that can negatively and materially impact available local housing supply, especially housing that is affordable to lower income households.

6. Supporting Innovation, Continuous Improvement and Nimbleness

Innovation can be looked at as inventing anew or as if anew. This opens the door to approaches like revisiting former best practices and applying those practices to different problems.

As Ontarians begin to see more “consistent normalcy” since the Covid-19. pandemic began in 2020, there have been many experiences and lessons learned. First, the public did not expect perfection, but it did expect best efforts and adjustments as necessary in delivering programs and services. Employers also discovered that remote working is a viable way of doing business, and that there are less traditional working arrangements that could or should stay in place. Furthermore, government, business and not-for-profits have worked hard to ensure that their business units work well together and remain focused on their visions and strategies. So what does this mean when it comes to planning for growth?

It is imperative that opportunities for innovation be kept in mind, and three situational examples are offered below:

- Work from home may be a permanent full or part time arrangement for thousands of working households. This is very different from the minimal home occupations that were a much more incidental part of the work force pre-pandemic;
- Travel and infrastructure needs and patterns may also change significantly. This may have impacts on Provincial highways and major arterials (e.g. less peak hour commuting). In neighbourhoods, much heavier reliance on fast and reliable high speed internet services have already emerged as requiring major improvement; and
- Growth may be much more spread out across Ontario, creating large growth pressures on smaller and more distant communities and areas. As commuting daily to the workplace may no longer be necessary, impacts on major employment regions like the GTHA may also be both problematic and opportunistic.

Gap 17: There is an urgent need to review the process, contents and turnaround times for Ministries and other Provincial bodies that receive development applications for comment and planning frameworks for approval. Members of RPCO possess many examples of process inefficiencies that affect the timing of reports to Municipal Councils to make timely development approval decisions.

Gap 18: Likewise, there is an urgent need to review the process, content and turnaround times for Provincial responses to development applications on more complex contaminated sites (i.e. properties requiring some form of environmental remediation) and revisit remediation options. This measure could significantly improve intensification opportunities in many Ontario communities.

Gap 19: There is a long-standing need to consider major changes to the Ontario Land Tribunal in terms of both hearing resources and the appeal process itself. While it is essential that natural justice mechanisms exist (i.e. the right to an unbiased, fair hearing), cases must be strictly land use focused and more time-limited (for both hearings and decisions). The process and outcomes continue to be long, uncertain and expensive for all parties. Limiting public participation under Bill 23 is not the solution.

Gap 20: The development industry should explore more contemporary ways of approaching home building. This could include new strategies around developing people for skilled trades (e.g. implementing more aggressive diversity, equity and inclusion recruitment practices, including greater opportunities for Indigenous Peoples), exploring new material and construction approaches, and scaling up niche markets,

like smaller condominium buildings with modest features and minimal common elements (i.e. more gentle intensification).

Gap 21: Under Bill 23, there appears to be no explicit connection made between Ontarians having good housing choices and support for both preventive and reactive health care needs. This disconnect is apparent despite health care remaining one of the Province's greatest cost centres, which also continue to rise rapidly. Recognize, accommodate, and support housing arrangements that also create health care solutions.

The Province should consider new forms of tax credits or deductions for housing arrangements where tenants or co-inhabitants also provide basic home support for other occupants of the home. The Province should also ensure that the Federal government understands and fully implements similar provisions, which can materially take financial and other resource pressures off of overwhelmed health care institutions and programs (e.g. hospitals, retirement, assisted living and long term care homes, outpatient programs, home support services) and all of the front line workers who support them.

A Closing Note

The Regional Planning Commissioners of Ontario recognize and appreciate the need to address today's emerging growth pressures now. Its upper and single tier members work to support growth through good planning every day, and have also been tasked by their municipal Councils in finding better ways of delivering municipal services.

Members of RPCO also recognize that conditions across Ontario and Canada have dramatically changed in a relatively short period of time, prompting a renewed call to also assess our collective effectiveness in supporting Ontario's vitality. In this respect, we look forward to more active collaboration that results in positive, measurable outcomes, beginning in the short term.

The draft legislation supporting the Province's Bill 23, the *More Homes Built Faster Act*, seeks to support building more homes, helping home buyers, reducing construction costs and fees, and streamlining development approvals. In fact, the legislation is seriously misaligned with these goals, and does little to address the Big Gaps described in this report.

Major unintended consequences are also expected to result from the misalignment of the legislation with the main themes of Bill 23. These unintended consequences include increasing the financial burden for municipal taxpayers by making them pay more for growth, reducing the ability to create new parks and other open spaces, limiting citizen rights, making it impossible for some municipalities to build supporting infrastructure on time to support growth, and removing effective regional growth management, especially in ensuring the efficient use of infrastructure and protecting vital natural systems that cross municipal boundaries.

All parties involved in the creation of new homes should make working to increase the velocity of housing production their highest shared priority. This must include the many different housing affordability types and tenures.

We trust that understanding the big picture and addressing the big gaps will help to advance our shared cause of protecting and enhancing Ontario's environmental, economic, social, and cultural vitality.

Thank you for allowing us to share *Making Room* with you, and to identify the many ways we need to work together now.

Sincerely,

Thom Hunt, Chair
Regional Planning Commissioners of Ontario
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Appendix C:

Regional Treasurers of Ontario Analysis of Bill 23

Bill 23 – More Homes Built Faster Act, 2022

Ontario Regional and Single Tier Treasurers Submission – November 4, 2022

High-level Key Messages

- The Ontario Regional and Single Tier Treasurers (ORSTT) 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 and Community Benefits Charges. We are working collaboratively with our colleagues in planning, public works and legal to review Bill 23 and help achieve the Province's goal of increasing the supply of housing over the next 10 years.
- 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, Parkland Dedication fees and Community Benefits Charges collected by municipalities to fund the growth-related capital cost of infrastructure and services 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. Such prices are market driven, and a reduction of DCs benefits the profits of developers and is not directly correlated to the cost of housing. This will not result in housing being built faster. To the contrary, housing supply could be restricted as infrastructure projects are deferred due to restricted municipal cash flow. In addition, the construction of new affordable housing units by municipalities will be constrained, and non-residential development charges will also be reduced.
- We are greatly concerned that existing taxpayers will pay more for growth, which already does not pay for itself under current rules. As existing taxpayers and ratepayers take on an even greater share of the cost of growth-related infrastructure, 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% or more 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 service new housing and assuming additional risk by taking on more long term debt and the associated debt financing costs. This in turn could lead to service level reductions and would compromise provincially-mandated municipal asset management plans as more tax dollars will be needed to fund the cost of growth.

Bill 23 Summary and Observations

Through Bill 23, the Province is proposing to amend the Development Charges Act and the Planning Act in a way that removes DC eligible services and costs, exempts certain development from the payment of DCs, Parkland Dedication Fees and Community Benefits Charges (CBC), and mandates a phase-in of new DC rates for all development (including commercial, industrial and institutional growth).

Virtually all of the proposed changes to the DCA result in less DC revenue collected by municipalities to fund the costs of growth-related infrastructure that supports new housing and commercial and industrial development. Specifically this Bill:

- Exempts certain development from the payment of DCs
- Introduces mandatory DC discounts
- Requires a mandatory discounted phase-in of new DC rates (for residential and non-residential development)
- Makes the costs associated with studies and certain land acquisitions ineligible
- Removes Housing as an eligible DC service
- Caps the interest rate on frozen and deferred DCs
- Increases the historical service standard from 10 to 15 years (thereby generally creating a lower service standard for services other than Public Transit)
- Establishes an arbitrary spending and allocation target that may not align with municipal capital investments or DC collections

In addition, it is proposed that the Planning Act be amended as it relates to Parkland Dedication (PD) Fees and Community Benefits Charges (CBC). Again the result will be less revenue collected by municipalities to fund the costs of infrastructure related to parks, affordable housing and other services. The proposed changes include:

- Exempting more growth from the payment of PDs and CBCs
- Establishing an arbitrary spending and allocation target that may not align with municipal capital investments or PD and CBC collections

If approved, this Bill will result in:

- Reduced DC, PD and CBC revenue collected and therefore less municipal capacity to fund the cost of growth-related infrastructure
- A transfer of costs from new development onto existing taxpayers and ratepayers
- Delays in infrastructure projects needed to allow new housing to be built
- Deferred or cancelled infrastructure to deliver the services needed by new residents
- 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

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.

Background

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. The total cost of home ownership will be higher as a result of further property tax and user rate increases. There is no demonstrable evidence that a reduction in development charges, community benefit charges or parkland dedication rates will translate into lower housing prices.

Municipalities have limited revenue sources to fund capital investments needed to deliver essential services, and this legislation will reduce municipal fiscal capacity to fund necessary capital investments to allow new housing supply to be built. The inevitable result of the proposed legislation is that existing 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 all result in reduced revenue for municipalities.

In the absence of the Province developing mechanisms to offset the lost 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.

Two specific proposed changes to the DCA are highly concerning:

- 1) 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.

- 2) 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 \$68M 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 existing 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).

Municipalities have made significant effort with respect to asset management planning and investment as a result of the requirements of Ontario Regulation 588/17. With the increased reliance on existing taxpayers to fund the necessary growth-related infrastructure, Councils will be forced to make choices between maintaining existing assets and building new infrastructure with limited tax levy/user rate sources - putting at risk the progress made to date and limiting future progress with respect to asset management planning and investment in municipal assets.

Other comments and observations:

- In some municipalities, CBC proceeds are intended to be reinvested in affordable housing initiatives. As such, any reduction in CBC proceeds, as well as the removal of housing as DC eligible service, will result in a lesser amount of incremental investment in housing affordability initiatives and projects.
- Municipalities might have to consider removing or delaying planned housing incentives if they have to make up shortfalls from DCs
- "As of right" rules could cause capacity challenges further along water, wastewater and stormwater pipes and may limit growth
- Discounts for rental housing do not seem to have definitions and duration agreements
- There is no indication from the Province as to how it intends to fund the provincial infrastructure necessary to service the population that will reside in the 1.5 million homes it desires to see built over the next 10 years. This includes schools, hospitals, two-way all day GO train service, etc.
- The effectiveness of fiscal impact studies and capital forecasting relies upon broad based planning perspectives and work provided by upper-tier planning departments

Next Steps

The ORSTT group will continue its analysis of this Bill as it moves through the legislative process. Our immediate next steps will be to turn our minds to alternative proposals and options to help achieve the desired outcomes, and to assess the short and long term financial impacts where possible. We hope to work collaboratively with staff at the Province to identify alternatives

that would both support achieving the desired objectives and mitigate the unintended consequences of this Bill.

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