Strategic Priorities and Policy Committee

To: Chair and Members
Strategic Priorities and Policy Committee
From: Anna Lisa Barbon, Deputy City Manager, Finance Supports
Scott Mathers, Deputy City Manager, Planning and Economic Development
Subject: Financial Implications of the ***More Homes Built Faster Act, 2022*** **(formerly known as Bill 23)**
Date: April 18, 2023

Recommendation

That, on the recommendation of the Deputy City Manager, Finance Supports and the Deputy City Manager, Planning and Economic Development, the following actions be taken with respect to the *More Homes Built Faster Act, 2022*:

(a) This report, entitled "Financial Implications of the *More Homes, Built Faster Act, 2022* (formerly known as Bill 23)" **BE RECEIVED** for information;

(c) Civic Administration **BE DIRECTED** to monitor Development Charges exemptions and discounts arising from the More Homes Act and identify interim funding sources to address 2023 costs as required;

(d) Civic Administration **BE DIRECTED** to incorporate direct and indirect costs associated with the More Homes Act in the 2024 – 2027 Multi-Year Budget;

(d) the deferred completion of the 2025 Development Charges Background Study **BE ENDORSED**, with a revised planned effective date of January 1, 2028 for the Development Charges By-law; and,

(e) Civic Administration **BE DIRECTED** to update cost estimates for Development Charges-funded growth projects to be incorporated into the 2024 – 2027 Multi-Year Budget.

IT BEING NOTED THAT Civic Administration will continue to assess the health of the Development Charges reserve funds through annual monitoring, with any concerns being addressed through the Growth Management Implementation Strategy (GMIS) Update (completed during the first half of each year) and/or an earlier update of the Development Charges By-law.

Executive Summary

On October 25, 2022, the Government of Ontario introduced Bill 23, the *More Homes Built Faster Act, 2022* which proposes changes to the *Development Charges Act*, *Planning Act, Ontario Heritage Act, Municipal Act, Conservation Authorities Act* and other statutes. The Government of Ontario has indicated that the intent of these changes is to support their Housing Supply Action Plan to increase housing supply.

The proposed legislation includes a significant number of legislative and regulatory changes related to planning, infrastructure master plans, recreation, public engagement, built and natural heritage conservation and municipal finance. This report provides an overview of the proposed changes to the various Acts and identifies operational and financial implications, and resource needs for the City of London resulting from this legislation.

The City of London is fortunate that it has a degree of flexibility in determining when the bulk of the financial implications of the *Act* will be experienced. It is anticipated that the *Act* will present significant financial challenges for the City of London beyond 2023.

Civic Administration estimates that the overall impact to the City on growth costs previously funded by Development Charges is at least $97 million over a 5 year period.

In response to *More Homes Built Faster Act, 2022*, the Provincial government has committed to addressing funding shortfalls associated with legislative changes. In written correspondence, the Minister of Municipal Affairs and Housing has stated, “We are committed to ensuring municipalities are kept whole for any impact to their ability to fund housing enabling infrastructure because of Bill 23.” Details related to this commitment are unknown at the time of the submission of this report. There has been some signaling from the Province that grant funding may be provided should municipalities meet or exceed their identified housing targets. Further information on the approach to addressing the financial implications of *More Homes Built Faster Act, 2022* was not included with the recent Provincial budget.

Changes to the Development Charges Act will have substantive impacts on future DC studies led by Capital Assets and Projects. A number of guidelines, interpretations and methodologies need to be developed to ensure City compliance with the *Act*. Review will continue in the months to come as additional Provincial direction is anticipated to be provided.

Civic Administration is recommending that Council endorses a deferral of the 2025 Development Charges Background Study and By-law that is presently underway. Although Civic Administration has been eager to complete the Study on the current timeline in order to update DC rates to incorporate revised growth projections, to provide a funding source for new infrastructure needs and to reflect increased project costs due to inflationary pressures, the financial impacts discussed above weigh heavily against a by-law effective date of January 1, 2025.

Analysis

1.0 Background Information

The *More Homes Built Faster Act, 2022* (herein referenced as the More Homes Act) resulted in a number of significant changes to the *Development Charges Act* (here in referenced as the DC Act) that effect a municipality’s ability to fund growth infrastructure costs from new development. The amendments to the DC Act have been made to reduce municipal costs levied on new housing units in order to improve housing affordability and to incent increased construction.

Most City asset-based services are anticipated to be impacted by the More Homes Act as the financial implications described below will present future challenges in delivering growth infrastructure if new funding sources are not made available.

Following the passage of the More Homes Act, the Provincial government has committed to addressing funding shortfalls associated with legislative changes. In written correspondence, the Minister of Municipal Affairs and Housing has stated, “We are committed to ensuring municipalities are kept whole for any impact to their ability to fund housing enabling infrastructure because of Bill 23.” Details related to this commitment are unknown at the time of the submission of this report. Civic Administration welcomes the commitment from the Province of Ontario to ensure municipalities are made whole from the changes included in the *More Homes Built Faster Act*. It is thus critical that Provincial funding be provided to offset growth costs that are ineligible for DC collection.

2.0 Financial Implications

It is anticipated that the More Homes Act will present significant financial challenges for the City of London beyond 2023. As previously reported, Civic Administration estimates that the overall impact to the City for growth costs previously funded by Development Charges is at least $97 million over a 5 year period. The $97 million preliminary cost estimate was based on what each of the changes (that can be quantified) could cost the municipality in the future. It does not represent a projection of near-term budget impacts as the principal cost drivers (i.e., the DC rate phase-in and ineligibility of land and studies) will not be effective until the adoption of a new DC By-law. Additionally, it is difficult to provide projected cost estimates as updated growth infrastructure needs and associated costs are required through master planning studies to calculate DC rates that will be effective with a new by-law. This is particularly significant for estimating the revenue loss and substitute funding needs arising from the rate phase-in.

A summary of More Homes Act financial impacts is provided in the following appendices:

- Appendix A1: Near-Term More Homes Act Financial Impacts – Operating
- Appendix A2: Near-Term More Homes Act Financial Impacts – Capital
- Appendix B1: Mid-Term More Homes Act Financial Impacts – Operating
- Appendix B2: Mid-Term More Homes Act Financial Impacts – Capital

<u>DC Exemptions and Discounts</u>

The More Homes Act introduced a number of new mandatory DC exemptions and discounts for qualifying non-profit developments, affordable housing, secondary units, and multiple bedroom apartments. These incentives are intended to stimulate the market and encourage cost-effective and family-oriented housing to address supply needs in our community. Importantly, these incentives are provided to the development proponent and there are no control measures afforded to municipalities to ensure that the cost savings are passed on to tenants, resulting in reduced market rents.

Past experience is not expected to be reflective of the future construction of affordable housing units and additional dwelling units and it is challenging to establish an estimated cost associated with the new DC exemptions. Further, the City does not have a reliable means to estimate the bedroom split for projected apartment units to derive revenue losses associated with DC rate discounts. At this time, Civic Administration estimates the 5 year funding need associated with known DC exemptions and rate discounts could range from $25 - $100 million depending on uptake. This figure reflects additional information to what was provided with the preliminary Bill 23 impacts in the November 2022 staff report.

Significantly, the Province has yet to release details about residential development that will qualify for DC exemptions under the More Homes Act provisions for for-profit rental housing and attainable housing. Depending on the eligibility criteria, the above funding needs range is likely to be expanded.

Unlike discretionary incentives approved by Council, the City does not have the ability to modify or wind-up the exemptions should experience indicate that they are not having the desired effect, should the exemptions accomplish their intended goal, or Council desires to re-allocate funding to other community priorities. The housing exemptions are articulated in the *Development Charges Act* and only the Ontario Legislative Assembly can make modifications to these statutory requirements.

Civic Administration is monitoring DC exemptions and discounts that are provided to qualifying buildings to ascertain the impact to the DC reserve funds. A separate report will be provided to Council in the coming months to recommend the preferred approach to addressing revenue shortfalls associated with mandatory DC exemptions. The Council endorsed approach and refined cost estimates will inform the upcoming Multi-Year Budget.

<u>Limitations Triggered with a New DC By-law</u>

Civic Administration has estimated that the cost of a DC rate phase-in for residential and non-residential development could amount to $38 - $40 million over a 5 year period. Between $27 - $29 million of the total is required for a phase-in of rates for residential development alone. The DC rate phase-in is anticipated to comprise more than 40% of the future financial impacts associated with the More Homes Act.

The above figures are conservative ranges that are based on present DC rates extrapolated into the future. Civic Administration is unable to estimate residential and non-residential DC rates that will be in place with a future by-law update as the requisite infrastructure master plans have only just commenced. However, Civic Administration predicts that DC rates will be higher in future years, pushing the phase-in revenue shortfalls and funding requirement beyond the $40 million top-end range. As work continues to progress on DC master plans and draft DC rate calculations are prepared, a true projection of DC rate phase-in impacts will be known and communicated to Council.

Approximately $4 - $7 million over a 5 year period of presently DC eligible study costs would require additional funding sources with the adoption of a new DC by-law. This amount is higher than previously reported with preliminary estimates. Growth studies would continue to be required in order to ensure effective growth management and to provide sufficient rigor to the identification of growth infrastructure needs and sources of funding. This estimate assumes that ineligible study costs are associated with all activities prior to an Environmental Assessment and/or detailed design of infrastructure.

As the Province has not yet released regulations to determine land costs that will be eligible and ineligible for DC funding, it is difficult to provide an estimate of the impacts of the More Homes Act limitation and to determine the amount of a likely funding gap. Depending on the services excluded through future regulations, the range of estimated 5 year funding needs is large – from $5 - $60 million. Since the *Development Charges Act* amendments enabled regulations to be issued to prescribe services with eligible land costs versus a full prohibition as is the case with studies, it is likely that land for transportation needs will not be excluded. As the top end of the range is inclusive of land for transportation needs, the expected impact should be closer to $5 - $20 million. Civic Administration will not be able to tighten estimates until the regulations are issued at an unknown future date.

<u>Affordable Housing</u>

The Council-approved action plan for the construction of 3000 new affordable housing units is focused on the existing housing crisis facing Londoners in need. Approximately $3.6 million in annual operating budget (subject to approval of the 2024-2027 Multi-Year Budget) and $15.6 million in annual capital budget contributions are being made to support the programs identified in the “Roadmap to 3000 affordable units”. In addition to these efforts, it is recognized that continued population growth will increase the need for affordable housing units throughout the city.

Civic Administration had commenced a growth infrastructure needs assessment for housing as part of the 2025 DC Study; however, at the time of the More Homes Act exclusion of Housing Services from DC recovery, the study was only in its early stages. Without the outcomes of the growth study being known, it is difficult to establish a detailed estimate for the amount of growth costs that will need to be funded from non-DC sources. Civic Administration has examined the capital costs and calculated DC rates of Ontario municipalities that had housing needs identified in their DC studies. By applying the median DC rate to the City’s growth projections, a proxy estimate of $15 - $20 million over 5 years is a potential More Homes Act cost impact for affordable housing.

<u>Administrative and Staffing Needs</u>

Although direct impacts from the changes arising from the More Homes Act will be mainly associated with the capital budget, base operating budgets for several Service Areas may need to be increased to fund new staff, or hiring priorities will need to be adjusted as position vacancies emerge. Service Areas across the corporation will have additional workload pressures to support the additional residential development and related needs. It should be noted that needs and hiring will be staged, such that the impact will be required over a period of time. Staffing needs and associated costs are currently being reviewed and will be determined over the next few months to inform the inclusion of a Business Case as part of the upcoming Multi-Year Budget process.

Financial Impacts – General

The City is fortunate that it has a degree of flexibility in determining when the bulk of the financial implications of the More Homes Act will be experienced. Many Ontario municipalities, including a large number in the Greater Golden Horseshoe, are faced with extreme financial pressures in 2023 or 2024. These municipalities are challenged by the More Homes Act's retroactive provisions that apply to DC By-laws approved since January 1, 2022 or their DC by-laws contain near-term firm lapse dates that trigger the need to update and experience the full financial impacts of the legislative changes.

3.0 Deferral of the 2025 Development Charges By-law

The More Homes Act has changed the number of years that a DC By-law can be in force before a new DC Background Study and By-law needs to be approved. Previously, the *Development Charges Act* had a by-law "sunset date" of 5 years from adoption. Now, DC By-laws have been extended out to a maximum of 10 years. This new provision does provide municipalities with greater flexibility in determining the timing of DC Background Study updates.

Civic Administration is recommending that Council endorses a deferral of the 2025 Development Charges Background Study and By-law that is presently underway. Although Civic Administration has been eager to complete the Study on the current timeline in order to update DC rates to incorporate revised growth projections, to provide a funding source for new infrastructure needs and to reflect increased project costs due to inflationary pressures, the More Homes Act financial impacts discussed above weigh heavily against a by-law effective date of January 1, 2025.

Equally important, a deferral of the DC Study provides an opportunity to improve the quality and quantity of projects identified for recovery. In the coming years, a number of significant growth studies will be completed:

- the Dingman Stormwater Management Environmental Assessment will be finalized by the end of 2023;
- the Mobility Master Plan is anticipated to be completed in 2024;
- the Comprehensive Review and land needs assessment will determine if additional development lands are required by year-end 2024;
- the Parks and Recreation Master Plan is anticipated to be updated in 2024; and,
- the second phase of the Fire Master Plan identifying future facility, vehicle and equipment requirements to service growth will be finalized in 2025.

The outcomes of these reviews will result in changes to infrastructure needs and capital budget updates. Should the timing of the 2025 DC Study be maintained, estimates of the required infrastructure (including placeholders and contingencies) would be required that challenge both the fulsome recovery of growth costs and the reliability of the long-term servicing solutions identified in the capital forecast.

The greatest risk associated with a deferral of the DC Study is the ability of the DC reserve funds to have sufficient funding available to pay for projects identified for completion prior to the in-force date of the new DC By-law. Recognizing that many project cost estimates presently contained in the capital forecast are understated due to inflation, Civic Administration has completed scenario modelling of differing revenues and expenditures (sensitivity analyses) of the three DC reserve funds that have the greatest potential to experience difficulties: Stormwater, Wastewater, and Roads. The graphs below in Figures 1 - 3 present a future scenario of forecasted reserve fund balances based on conservative assumptions of indexed DC rates and additional costs to projects identified in the capital forecast to account for increases associated with inflation.

Figure 1: DC Stormwater Management Reserve Fund Sensitivity Analysis

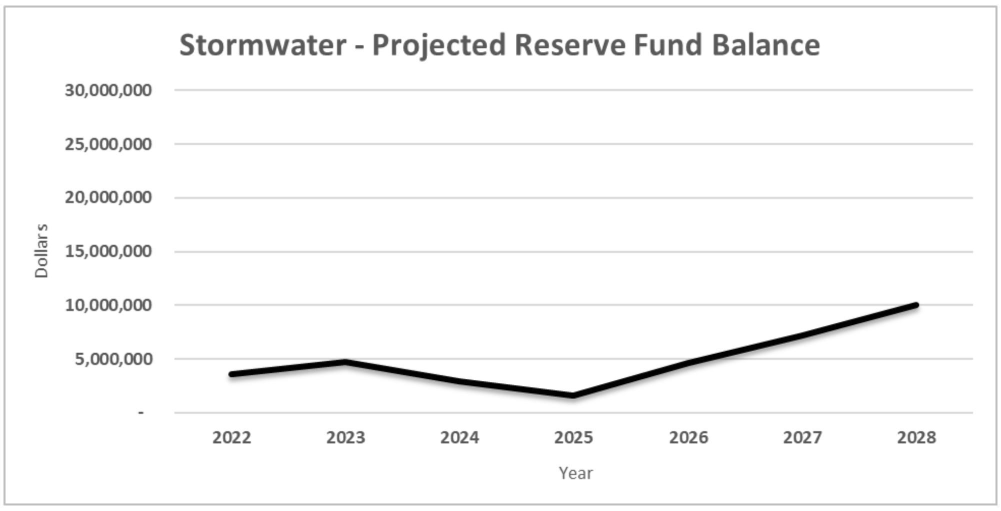


Figure 2: DC Wastewater Reserve Fund Sensitivity Analysis

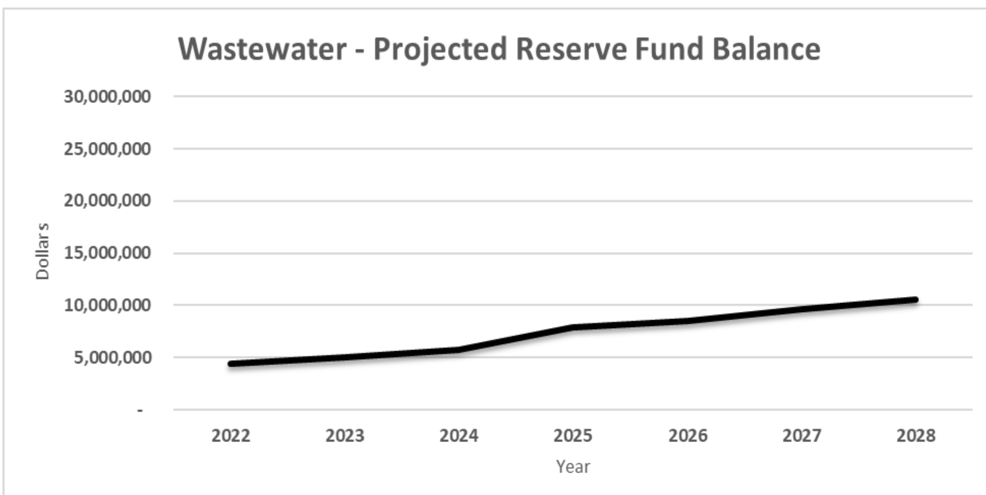
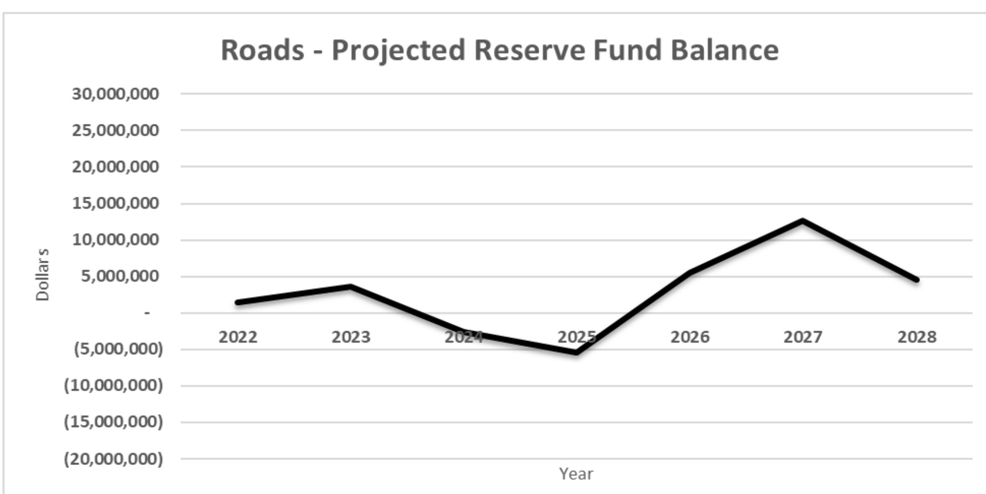


Figure 3: DC Roads Reserve Fund Sensitivity Analysis



The sensitivity analysis has the following observations related to factors that could raise or lower the annual reserve fund balances.

- Upward pressures (lines on graphs go up):
  - the updated growth projections anticipate more residential and non-residential construction than presently factored into financial projections, resulting in increased DC revenues should the growth materialize;
  - DC rates are indexed at higher percentages than assumed;

  - a larger amount of development is anticipated to be constructed within the built area that already has serviced lands, mitigating the need for near-term investments beyond the present capital plan;
  - there is the potential for an inflationary readjustment market correction, reducing the degree of project cost increases being assumed; and,
  - debt servicing costs may decrease as interest rates stabilize.

- Downward pressures (lines on graphs go down):
  - actual building permits and associated revenue is less than forecasted;
  - DC rates experience negative index values, lowering revenue levels below those assumed;
  - capital projects and programs for 2024 and beyond are not appropriately adjusted to reflect inflationary pressures and more reserve fund cash/debt is required;
  - inflation also impacts approved projects in the life-to-date budget, requiring additional funding than presently contemplated; and,
  - debt servicing costs escalate beyond current assumptions.

Based on the sensitivity analysis, Civic Administration has a sufficient level of comfort that the likely future funding needs scenario will not place the health of the DC reserve funds in jeopardy. A modest deferral of the DC Study can be accommodated without the need for a significant amount of additional debt financing or project deferrals. DC revenue levels are monitored quarterly and Civic Administration provides Council with an annual report on DC rate monitoring in parallel to the year-end capital budget monitoring report. The annual Growth Management Implementation Strategy (GMIS) Update also provides an opportunity to adjust infrastructure project timing if the DC reserve funds experience sustainability concerns. Finally, Council retains the ability to accelerate the deferred date of the DC Study should funding concerns offset the benefits associated with the delayed approval of a new by-law.

Civic Administration is of the opinion that a by-law date of January 1, 2028 provides the ability to delay the need for most taxpayer and water and sewer ratepayer contributions for growth infrastructure (should additional Provincial funding support not materialize in the interim) without placing excessive strain on the DC reserve funds. A deferral beyond 2028 would challenge the capital budget forecast, significantly increase the likelihood of project deferrals due to funding constraints, and result in a greater number of developments not paying their appropriate share of future growth costs.

DC rates will continue to be indexed each year, assisting with raising additional funds to offset inflationary costs. For example, DC rates for residential and non-residential development were increased by 15.6% on January 1, 2023. Civic Administration anticipates positive index values for the next several years, aiding the ability of the DC reserve funds to accommodate cost pressures.

The recommended deferral of the DC Study and By-law to an effective date of January 1, 2028 has been discussed with the DC External Stakeholder Committee (to be re-named the “DC External Stakeholders Reference Group”). Both development and community stakeholders were committed to ensuring the health of the DC reserve funds and were mindful of impacts that could be experienced with the deferred timeline. However, the uncertainty associated with the More Homes Act DC rate phase-in and costs that would be ineligible for DC funding with the adoption of a new by-law weighed in favour of support from all stakeholders for a deferral to 2028. The London Development Institute and the London Home Builders’ Association expressed concern about a 2025 DC By-law resulting in numerous infrastructure project deferrals, delaying servicing being made available for new construction to meet housing supply goals. The Urban League of London is concerned that the More Homes Act changes have significantly reduced the City’s ability to achieve “growth pays for growth,” and that a near-term by-law date will produce funding pressures with the upcoming Multi-Year Budget, resulting in increased tax rates, lowered levels of service, or an inability to adequately respond to emergent priorities being identified by the community.

4.0 Next Steps

Over the coming months, additional and refined financial information will be provided to Council through the upcoming budget process.

Development Charges Background Study:

Should Council endorse the deferral of the DC Background Study, Civic Administration will adjust project timelines to ensure delivery for a by-law effective date of January 1, 2028. The deferral will also pause DC External Stakeholder Committee meetings for an extended period of time following the wind-up of policy discussions presently in progress.

Consultants engaged to assist with master planning needs assessments will be requested to provide support to Civic Administration with updated costing of the existing capital plan to be incorporated into the Multi-Year Budget. Additional time to assess infrastructure needs arising from growth will be included with the revised timeline, improving the traditional condensed timeframe to model and cost required projects based on updated growth projections.

New financial pressures arising from growth costs being no longer eligible for DC recovery may mean modifications to the present allocation of infrastructure funding between the City and those directly provided by developers. The DC Act provides municipalities with some flexibility in determining infrastructure that is defined as local costs versus those that have a more global benefit and funded from new development city-wide. Historically, the City has kept direct development costs to a minimal amount, recognizing the availability of DCs to cost-share infrastructure needs with all contributors to growth. However, with new DC Act restrictions and the narrowing of this financial tool, Civic Administration will revisit local service thresholds through the upcoming DC Background Study to determine if certain infrastructure projects and costs should be appropriately shifted to delivery by developers at the time of construction.

Multi-Year Budget:

As described in the Financial Implications section, Civic Administration anticipates a number of unanticipated financial pressures resulting from the passage of the More Homes Act. Although the recommended deferral of the 2025 Development Charges Background Study will assist with mitigating the largest direct growth costs being shifted to taxpayers and water and sewer ratepayers needing to be addressed with the Multi-Year Budget, a number of budget pressures will be experienced associated with increased reserve fund contributions, additional staffing, capital costs for non-DC eligible growth infrastructure, and adjustments to service levels. The amount of Provincial funding and timing of the release of funding will inform requests for additional funding through the Multi-Year Budget.

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Appendix A1: Near-Term More Homes Act Financial Impacts – Operating
Appendix A2: Near-Term More Homes Act Financial Impacts – Capital

Appendix B1: Mid-Term More Homes Act Financial Impacts – Operating
Appendix B2: Mid-Term More Homes Act Financial Impacts – Capital

Appendix A1: Near-Term More Homes Act Financial Impacts – Operating

A1-1 – DC exemptions and discounts

Impact	$25M - $100M over 5 years
Service Effected	Finance, Housing, Building, Planning
Response	Prior to the More Homes Act, the City has provided DC grants for affordable housing units and secondary units budgeted as part of the "Roadmap to 3000 affordable units for the City of London" action plan. However, the DC exemptions introduced with the More Homes Act apply more broadly than the targeted incentives offered in the City's plan. The new in-force and effect DC exemptions have supplemented the City's existing programs and the financial benefit will be provided to qualifying development proponents at the time of building permit without the need for upfront grants or re-imbursement of paid DCs. Civic Administration continues to refine estimates for the anticipated yearly cost associated with the new DC exemptions and discounts. It is challenging to predict how many affordable housing units will be constructed, especially if the incentive has the desired effect of increasing the number of affordable developments in relation to past construction. Although the City's updated growth projections provide for the number of apartment units that will be built, the projections are not granular to provide estimates on the number of bedrooms that will be associated with constructed apartment units, or differentiations between units that will be market versus affordable.
Recommended Action	Civic Administration is continuing to refine the financial impacts associated with the in-force DC exemptions and discounts. A future report will be submitted to Council, providing options on the degree of funding and funding sources (as applicable) for the statutory exemptions and discounts.

A1-2 – Additional staffing

Impact	To be determined
Service Effected	Building, Planning, Forestry, By-law enforcement, Fire, Finance
Response	The More Homes Act financial incentives are intended to stimulate increased residential development. The City is likely to experience an increase in re-zoning applications, site plan review, subdivisions and building permits. Although some of the increased volume associated with the More Homes Act and other Provincial efforts to increase housing supply will be offset by new as-of-right development permissions and regulatory exemptions, the net need is anticipated to be considerably higher than the present staffing complement can support. The City may need to hire additional planners, engineers and technologists, ecologists, landscape architects, plans examiners, building inspectors and administrative staff. Areas not normally associated with development are also anticipated to experience workload pressures. Parks and Forestry may require new inspectors to administer an increased number of permits under the Tree Protection By-law. Due to the new restrictions on Site Plan Control, additional Municipal Law Enforcement Officers may be required to address an increased volume of public complaints related to development impacts. Divisions in Finance Supports may need new staff to enhance budget monitoring, to administer payments for deferred DCs and to conduct future DC Studies. Finally, multiple Service Areas may experience staffing pressures should there be a desire to conduct more growth infrastructure assessments in-house rather than engaging consultants due to the loss of DC funding for studies.
Recommended Action	Future staffing needs associated with the More Homes Act continue to be refined and may result in funding requests through the Multi-Year Budget.

Appendix A2: Near-Term More Homes Act Financial Impacts – Capital

A2-1 – Loss of ability to recover DCs for affordable housing

Impact	$15M - $20M over 5 years
Service Effected	Housing, Homelessness Prevention, Finance
Response	A number of Ontario municipalities have been collecting DCs to pay for growth infrastructure in the form of new housing units. It is well known and accepted that population growth results in an increasing number of residents who cannot rent housing at market rates. This is in addition to socio-economic changes of the existing population that place increased pressure and need on affordable housing infrastructure. The new prohibition of DC collection for Housing Services means that Council will be unable to consider inclusion of affordable housing in the DC Study, as was under review at the time of Bill 23 approval. Combined with the 2019 sunsetting of bonusing, the City now has very limited funding tools available to provide affordable housing needs arising from population growth. Without new Federal or Provincial funding, the City will be faced with including the additional capital costs with the tax-supported budget (already stressed with funding a back-log of housing need for the existing population), or drastically reducing the amount of money made available for growth infrastructure needs. This latter scenario is expected to negatively impact the present housing crisis being faced by low-income Londoners.
Recommended Action	Civic Administration will continue studying future growth needs for affordable housing. The outcome of the needs assessment will inform future funding requests with the upcoming Multi-Year Budget.

Appendix B1: Mid-Term More Homes Act Financial Impacts – Operating

B1-1 – DC rate phase-in

Impact	$38M - $40M over 5 years
Service Effected	Finance, Building, Fire, Libraries, Parks, Police, Recreation, Stormwater, Transit, Transportation, Waste Diversion, Wastewater, Water
Response	The More Homes Act has introduced mandatory annual discounts of calculated DCs over a 5 year period that are triggered with the adoption of a new DC By-law. DC rates are effectively phased-in, with a maximum of 80% of the calculated rate being able to be charged in year 1, rising to 100% in year 5. The DC rate phase-in applies to the full calculated DC rate (not just the difference between the rate in place prior to the adoption of a new DC by-law and the calculated rate) and is required to be provided to all forms of residential housing, as well as industrial, commercial and institutional development. A future DC rate phase-in will be most impactful for all DC-funded services, but especially the “hard services.” Transportation, Stormwater, Water and Wastewater comprise approximately 75% of net DC eligible capital costs. If the future mandatory DC rate phase-in is not supported by other funding sources to make up the shortfall (e.g., senior government funding, tax and/or water and sewer rate sources), the City will need to defer a considerable number of road improvements, trunk sewers, stormwater management facilities and watermains as sufficient funding will not be available to pay for construction. This scenario will be counter to the stated goals of the more Homes Act of bringing more housing supply on to market as these infrastructure projects must be in place prior to final approvals being provided.
Recommended Action	Should Council endorse the deferral of the 2025 DC Study, the rate phase-in will not be triggered until January 1, 2028 and infrastructure constructed in the intervening years will not need to be deferred due to artificially low DC rates. Future DC rate calculations will enable a refined estimate of phase-in costs.

Appendix B2: Mid-Term More Homes Act Financial Impacts – Capital

B2-1 – Loss of DC recovery for growth studies

Impact	$4M - $7M over 5 years
Service Effected	Finance, Fire, Libraries, Parks, Planning, Police, Recreation, Stormwater, Transit, Transportation, Waste Diversion, Wastewater, Water
Response	Studies such as DC technical master plans, service delivery plans (e.g., future Mobility Master Plan updates), water efficiency studies, rapid transit studies, and built area infrastructure studies will no longer be eligible for DC funding with the passage of a new DC By-law. These important City-wide technical reviews of growth needs will need to be fully funded by water and wastewater rates and tax sources. A number of city-wide studies will no longer be able to be funded by DCs with the next by-law, including the Official Plan updates, secondary plans, the Parks and Recreation Master Plan, urban forestry studies, subwatershed studies and post-development Environmental Impact Study monitoring.
Recommended Action	Should Council endorse the deferral of the 2025 DC Study, the loss of DC funding for studies will not be triggered until January 1, 2028.

B2-2 – Loss of DC recovery for land

Impact	$5M - $60M over 5 years
Service Effected	Finance, Fire*, Libraries*, Police*, Recreation*, Stormwater*, Transit*, Waste Diversion*, Wastewater*, Water* Note: * means that future land costs may or may not be DC eligible
Response	At the time of submitting this report, the Province has yet to provide information on land that will be eligible and ineligible for DC recovery upon the passage of a new by-law. Given that the amendments to the DC Act provide for variation on which services will include land in the future (versus studies, which has a complete prohibition), Civic Administration anticipates that land associated with road expansions/new roads (including rapid transit) will remain an eligible cost as part of the construction project. Land for stormwater management facilities, treatment plants, pumping stations, operations centres and waste diversion, however, has the potential to be excluded, which would result in considerable costs being shifted to tax rates as well as water and sewer rates.
Recommended Action	Should Council endorse the deferral of the 2025 DC Study, the loss of DC funding for land will not be triggered until January 1, 2028.