November 16, 2022

To Our Municipal Clients:

Re: Assessment of Bill 23 (*More Homes Built Faster Act*) – Community Benefits Charges

On behalf of our many municipal clients, we are continuing to provide the most up-to-date information on the proposed changes to the *Planning Act* related to community benefits charges (C.B.C.s), as proposed by Bill 23 (*More Homes Built Faster Act*). As identified in our October 31, 2022 letter to you, our firm is providing an evaluation of the proposed changes to C.B.C.s along with potential impacts arising from these changes. The following comments will be included in our formal response to the Province, which we anticipate presenting to the Standing Committee on Heritage, Infrastructure and Cultural Policy later this week.

1. Overview Commentary

The Province has introduced Bill 23 with the following objective: *"This plan is part of a long-term strategy to increase housing supply and provide attainable housing options for hardworking Ontarians and their families."* The Province's plan is to address the housing crisis by targeting the creation of 1.5 million homes over the next 10 years. To implement this plan, Bill 23 introduces several changes to the *Planning Act*, along with nine other Acts including the *Development Charges Act* (D.C.A.) and the *Conservation Authorities Act*, which seek to increase the supply of housing.

One of the proposed amendments to the *Planning Act* seeks to exempt affordable housing units (ownership and rental) and attainable housing units from C.B.C.s. While the creation of affordable housing units is an admirable goal, there is a lack of robust empirical evidence to suggest that reducing development-related fees improves housing affordability. Municipalities rely on C.B.C. funding to emplace the critical infrastructure needed to maintain livable, sustainable communities as development occurs. Introducing additional exemptions from the payment of these charges results in further revenue losses to municipalities. The resultant shortfalls in capital funding then need to be addressed by delaying growth-related infrastructure projects and/or increasing the burden on existing taxpayers through higher property taxes (which itself reduces housing affordability). If the additional exemptions from C.B.C.s are deemed to be an important element of increasing the affordable housing supply, then adequate transfers from the provincial and federal governments should be provided to municipalities to offset the revenue losses resulting from these policies.

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A summary of the proposed C.B.C. changes, along with our firm's commentary, is provided below.

2. Changes to the *Planning Act* – C.B.C.s

2.1 New Statutory Exemptions: Affordable residential units, attainable residential units, and inclusionary zoning residential units will be exempt from the payment of C.B.C.s., with definitions provided as follows:

- Affordable Residential Units (Rented): Where rent is no more than 80% of the average market rent as defined by a new bulletin published by the Ministry of Municipal Affairs and Housing.
- Affordable Residential Units (Ownership): Where the price of the unit is no more than 80% of the average purchase price as defined by a new bulletin published by the Ministry of Municipal Affairs and Housing.
- Attainable Residential Units: Excludes affordable units and rental units; will be defined as prescribed development or class of development and sold to a person who is at "arm's length" from the seller.
- Inclusionary Zoning Units: Affordable housing units required under inclusionary zoning by-laws.

The exemption is proposed to be implemented by applying a discount to the maximum amount of the C.B.C. that can be imposed (i.e., 4% of land value, as specified in section 37 of the *Planning Act*). For example, if the affordable, attainable, and/or inclusionary zoning residential units represent 25% of the total building floor area, then the maximum C.B.C. that could be imposed on the development would be 3% of total land value (i.e., a reduction of 25% from the maximum C.B.C. of 4% of land value).

Analysis/Commentary

- While this is an admirable goal to create additional affordable housing units, further C.B.C. exemptions will continue to provide additional financial burdens on municipalities to fund these exemptions without the financial participation of senior levels of government.
- The definition of "attainable" is unclear, as this has not yet been defined in the regulations.
- Under the proposed changes to the D.C.A, municipalities will have to enter into agreements to ensure that affordable units remain affordable for 25 years and that attainable units are attainable at the time they are sold. An agreement does not appear to be required for affordable/attainable residential units exempt from payment of a C.B.C. Assuming, however, that most developments required to pay a C.B.C. would also be paying development charges, the units will be covered by the agreements required under the D.C.A. These agreements should be allowed to include the C.B.C. so that if a municipality needs to enforce the

provisions of an agreement, both development charges and C.B.C.s could be collected accordingly.
    - These agreements will increase the administrative burden (and costs) on municipalities. Furthermore, the administration of these agreements will be cumbersome and will need to be monitored by both the upper-tier and lower-tier municipalities.
- It is unclear whether the bulletin provided by the Province will be specific to each municipality, each County/Region, or Province-wide. Due to the disparity in incomes across Ontario, affordability will vary significantly across these jurisdictions. Even within an individual municipality, there can be disparity in the average market rents and average market purchase prices.
- Where municipalities are imposing the C.B.C. on a per dwelling unit basis, they will need to ensure that the total C.B.C. being imposed for all eligible units is not in excess of the incremental development calculation (e.g., as per the example above, not greater than 3% of the total land value).

2.2 Limiting the Maximum C.B.C. in Proportion to Incremental Development:
Where development or redevelopment is occurring on a parcel of land with an existing building or structure, the maximum C.B.C. that could be imposed would be calculated based on the incremental development only. For example, if a building is being expanded by 150,000 sq.ft. on a parcel of land with an existing 50,000 sq.ft. building, then the maximum C.B.C. that could be imposed on the development would be 3% of total land value (i.e., 150,000 sq.ft. / 200,000 sq.ft. = 75% x 4% maximum prescribed rate = 3% of total land value).

Analysis/Commentary

- With municipal C.B.C. by-laws imposing the C.B.C. based on the land total land value or testing the C.B.C. payable relative to total land value, there will be a reduction in revenues currently anticipated. At present, some municipal C.B.C. by-laws have provisions excluding existing buildings from the land valuation used to calculate the C.B.C. payable or to test the maximum charge that can be imposed. As such, this proposal largely seeks to clarify the administration of the charge.

We will continue to monitor the legislative changes and will keep you informed as the Bill proceeds.

Yours very truly,

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