Watson & Associates ECONOMISTS LTD.

Presentation to the Standing Committee on Heritage, Infrastructure and Cultural Policy on Bill 23

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November 17, 2022

Introduction

- At the outset, we would like to thank the Committee for inviting us to speak.
- We are providing a high-level summary PowerPoint presentation along with a detailed letter submission re Bill 23 as it relates to:
  - Development Charges (D.C.s)
  - Planning
  - Parkland Dedication (P.L.D.)
  - Community Benefits Charges (C.B.C.s)
  - Conservation Authorities (cost recovery and input to the planning process).
- This presentation will provide certain highlights for the Committee's consideration.

Background on Watson & Associates Economists Ltd.

- Watson & Associates Economists Ltd. is a firm of municipal economists, planners and accountants which has been in operation since 1982. With a municipal client base of more than 250 Ontario municipalities and utility commissions, the firm is recognized as a leader in the municipal finance/local government and land economics field.

- Our background is unprecedented including:
  - Having undertaken over one-half of the consulting work completed in Ontario in the D.C. field during the past decade;
  - Provided submissions and undertook discussions with the Province when the *Development Charges Act* (D.C.A.) was first introduced in 1989 and with each subsequent amendment undertaken in 1997, 2015 and 2019 (including being a member of the Provincial Technical Working Group on the 2020 D.C. and C.B.C. regulations;
  - Undertaken numerous studies that focus on growth management, population and employment forecasting, urban land needs, municipal competitiveness, land use planning policy and financial/economic impact analysis;
  - Our work also includes the preparation of asset management plans, P.L.D. reviews, C.B.C.s and conservation authority fees and charges.

1. Proposed Changes Which May Restrict/Inhibit the Future Supply of Developable Lands

Present Situation

- For urban growth to occur, water and wastewater services must be in place before building permits can be issued for housing.
- Most municipalities assume the risk of constructing this infrastructure and wait for development to occur.
- Currently, 26% of municipalities providing water/wastewater services are carrying negative D.C. reserve fund balances for these services and many others are carrying significant growth-related debt.
- Where the total cost of infrastructure is unaffordable, or will cause municipalities to exceed their debt capacity limit, many municipalities enter into front-ending and pre-payment agreements to share the cashflow and risk with developers.

1. Proposed Changes Which May Restrict/Inhibit the Future Supply of Developable Lands (Cont'd)

Bill 23 Impacts

- In addition to the present situation, Bill 23 proposes to:
  - Phase-in any new by-laws over five years which, on average, would reduce D.C. revenues by approximately 10%.
  - Introduce new exemptions which would provide a potential loss of 10-15% of the D.C. funding.
  - Remove funding of water/wastewater master plans and environmental assessments which provide for specific planning and approval of infrastructure.
  - Unclear whether land costs for treatment facilities and/or for the purchase of land for linear infrastructure will continue to be an eligible capital cost.

1. Proposed Changes Which May Restrict/Inhibit the Future Supply of Developable Lands (Cont'd)

Bill 23 Impacts (Cont'd)

- Make changes to the *Planning Act* that would minimize upper-tier planning in two-tier systems where the upper-tier municipality provides water/ wastewater servicing. This disjointing between planning approvals and timing/location of infrastructure construction may result in inefficient servicing, further limiting the supply of serviced land.
- ***The loss in funding noted above must then be passed on to existing rate payers. This comes at a time when municipalities must implement asset management plans under the* Infrastructure for Jobs and Prosperity Act *to maintain existing infrastructure. Significant annual rate increases may then limit funding to the capital budget and hence delay servicing of additional developable lands for housing.***
- ***Note that Stormwater and Roads are needed at a similar time to support the creation of developable lands.***

2. Proposed Changes which will Impact the Provision of Municipal Housing

- The removal of housing service as an eligible service will reduce municipalities' participation in creating assisted/ affordable housing units.
- Based on present and in-place D.C. by-laws, over $2.2 billion in net growth-related expenditures providing for over 47,000 units (or 3.1% of the Province's 1.5 million housing target) would be impacted by this change.
- Note that several municipalities who are not collecting for the housing service are considering this service for their updated background studies

2. Proposed Changes which will Impact the Provision of Municipal Housing (Cont'd)

Housing Services For Region and Single Tier Municipalities

Municipality	Year of Bylaw	DC for Single Detached Unit - As per By-law Adoption ($)	Net DC Recoverable Amount Included - As per DC Background Study ($millions)	Net DC Recoverable - Indexed to 2022 ($millions)	Number of New Housing Units
Barrie	2019	626	10.3	13.3	539
Brantford	2021	6,665	37.2	42.6	476
Durham	2018	387	31.2	41.7	416
Guelph	2019	-	-	-	-
Halton	2021	986	50.1	57.3	400
Hamilton	2019	648	18.8	25.1	423
London	2019	-	-		-
Niagara	2022	2,039	60.0	60.0	372
Ottawa	2019	179	11.6	14.9	1,190
Peel	2019	3,265	200.5	258.1	521
Simcoe	2022	3,153	67.6	67.6	263
Toronto*	2022	8,603	1,477.0	1,477.0	40,000
Waterloo	2019	-	-	-	-
Windsor	2020	-	-	-	-
York	2022	1,608	181.2	181.2	2,569
Totals				**2,239**	**47,200**

*Total number of units - the net DC amount is after BTE

3. Proposed Changes – Affordable Housing vs. Housing Affordability

There are numerous changes which would reduce municipal revenue recovery and shift the financial burden from development to the existing taxpayer and ratepayer, as follows:

- Added exemptions for affordable rental/owned residential units, attainable residential units, inclusionary zoning residential units, non-profit housing and additional units in existing homes provide a loss of funding for all D.C. services as well as C.B.C.s and P.L.D. services.
- D.C. phase-in, loss of study and land costs for new infrastructure, municipal housing as an ineligible D.C. service, loss of C.B.C. revenue and parkland contributions reduced by 50% or more (with 10-15% caps) for higher-density developments.
- Minister freeze on conservation authority fees: lowers funding for the authority which increases costs passed on to existing taxpayers for funding.

3. Proposed Changes – Affordable Housing vs. Housing Affordability (Cont'd)

- While the goal of these proposed changes is to reduce the upfront cost to a new home purchaser, the funding for this will come from the existing taxpayer, i.e., existing residents and businesses subsidizing new home purchasers, hence increasing housing affordability concerns.
- Over the past 40 years, our firm has undertaken numerous fiscal impact studies of residential development – as a whole, the new taxes and fees generated by residential growth do not equal the new operating cost required to support these developments.
- Based on past changes to the D.C.A., historical reductions have not resulted in a decrease in the price of housing; hence, it is difficult to relate the loss of needed infrastructure funding to affordable housing.

4. Considerations for the Standing Committee

- From the proposed legislation, phase-in charges and exemptions for services essential to creating developable land supply (water, wastewater, stormwater and roads) should be removed…or funded by grants from senior levels of government.
- Reductions in parkland contributions, caps for high-density development and developer ability to provide encumbered lands/POPS should be removed from P.L.D. legislation to continue to allow municipalities to determine appropriate levels of service for parks.
- Alternatively, to minimize the overall impact on the taxpayer and ratepayer, provide access to other revenue sources (e.g., HST, land transfer tax) to fund all D.C./P.L.D./C.B.C. revenue losses.
- Municipal housing should continue as an eligible D.C. service.

Thank you.

Questions