Thursday, November 24, 2022

To be sent via email to MFPB@ontario.ca and minister.mah@ontario.ca

The Honourable Steve Clark
Minister of Municipal Affairs and Housing
Government of Ontario
17th Floor – 777 Bay St.
Toronto, ON M7A 2J3

RE: Proposed Planning Act and Development Charges Act, 1997 Changes: Providing Greater Cost Certainty for Municipal Development-related Charges (ERO 019-6172)

Dear Minister Clark,

The City of Guelph (the City) welcomes the opportunity to provide comments on the proposed changes to the Planning Act and Development Charges Act. This submission will provide overall comments and specific comments from the City's financial perspective. The Province introduced Bill 23 with the objective: "a long-term strategy to increase housing supply and provide attainable housing options." While the City shares and supports the province's goals, the proposed changes to the Development Charges Act and the Planning Act regarding Community Benefits Charges and Parkland Dedication will limit municipalities' ability to build the infrastructure necessary to support the province's target level of growth.

While growth targets are provincially mandated, municipalities are required to build and fund the related infrastructure to support that growth. Like many municipalities, the City of Guelph tries to limit the impact of growth-related costs on existing residents through the principle that "growth pays for growth".

Municipalities are restricted in the amount they can recover from developers to support growth related infrastructure. Prior to the most recent Development Charges By-law update in 2019, it was calculated that growth revenues supported approximately 85 per cent of the capital cost of growth in the City of Guelph leaving the remaining balance to be funded by existing residents.

These constraints, as well as reduced revenues available from Bill 23, may slow the pace of infrastructure construction to support growth due to lack of available funding. The City of Guelph calls on the Province to provide funding to offset the loss of funding for growth related infrastructure so municipalities can partner with the Province to achieve its goal to build more homes faster.

Specific Comments

Overall Growth Revenue

These changes will substantially reduce the overall funding available to support growth infrastructure projects at the same time that growth targets are nearly doubling. As explained above, this shortfall could delay needed infrastructure projects that would support future growth. Potential funding shortfalls would be passed on to existing tax and ratepayers and, in the case of market housing, are unlikely to be passed on to homeowners, as homes will continue to be sold at market value, while developers will have an increased profit margin at the expense of tax and utility ratepayers.

The City of Guelph calls on the Government of Ontario to remove the reductions to growth revenue streams from the proposed legislation or replace the lost revenue related to the changes proposed in Bill 23 to ensure development related servicing can proceed as needed.

Changes to Exemptions

This will result in a reduction to growth revenue and require new infrastructure to be built without a matching funding source. This will also increase the administrative costs to track agreements and review documentation to ensure developments meet these definitions and continue to do so over time.

The City recommends these exemption definitions should be well-defined to make sure that they are helping the right groups and that the housing types endure over the long term. This change will reduce the amount of funding available without reducing the servicing costs. The City requests funding from the provincial government to offset growth funding shortfalls to ensure servicing is in place to support future development.

Changes to Historical Level of Service

The City's position is that this may reduce the level of service cap for the City and reduce overall D.C. revenues. This reduction in overall revenue could potentially delay construction of new facilities which would further reduce the service level cap creating a negative cycle. This was seen in Transit until corrected in 2016 with a forward looking standard.

It is recommended that the historical service standard remain at 10-years and does not increase to 15-years. Ideally a forward-looking service standard could be used so anticipated growth could be incorporated in the standard.

Changes to the Capital Cost inclusion

Land represents a significant cost for services such as roads and new facilities to support new residents. Depending on the definition of eligible service this cost could be significant.

Master Plans and environmental assessments are required to understand the servicing needs development. These studies are necessary to inform the servicing required to establish the supply of lands for development.

The City recommends that these costs are required to deliver growth-related infrastructure. It is recommended that they remain as an eligible cost for DC recovery.

Mandatory Phase-in of a D.C

The phase in does not refer to a phase in of *increase* in a Development Charge rate. As currently written in Bill 23, it applies to the entire rate. This would apply even if the rate increase was less than 20% and could result in decreasing Development Charge revenues even with increased related capital costs.

It is estimated mandatory phase-in will result in the City losing approximately 10% to 15% of revenues over the five-year phase-in period. This may result in the delay of construction of infrastructure that is required to service new homes.

An unintended consequence of this could be that developers hold off on moving forward with new developments when they know a new Development Charges By-law is imminent as there may be a financial incentive to do so.

The City of Guelph recommends that the Province remove this phase in requirement as the charge is based on actual growth related infrastructure costs of a municipality. Should the phase in option remain, that it apply only to the *increase* of the development charge, not the entire DC rate. This would reduce the impact to municipal revenue while providing for a phased increase for developers. If the phase-in remains in any form, the City requests funding from the provincial government to offset the shortfalls resulting from the phase-in to reduce the impact on existing tax and ratepayers.

Changes to Parkland Dedication

Parkland and recreation space is a key need for new residents. The revised rate reduces parkland revenue by approximately 50% of the current maximum. In addition, the cap on collections based on land value will further reduce the amount available, particularly for high density units. Increased densities are projected for future growth and the proportionate parkland for future residents will decrease.

It is also worth noting that residents of high-density developments will not have backyards and limited available personal recreation space. Demand for parks will likely intensify with increased density while funding for future parkland decreases.

It is recommended that parkland dedication rates remain in at current levels to support the building of new parks for future residents. There should be alignment with the land conveyance and cash in lieu as small parcels of adjacent land is often not suitable for park development.

Changes to Community Benefits Charges

Community benefits charges are not a significant revenue source but will increase with higher densities. The purpose of a CBC is to provide funding for amenities related to increased density. These proposals will reduce the funding for future amenities available for these residents.

Community benefits charges have only been in effect for a few months, changing the rules so quickly creates additional work before the impacts can be understood. It is recommended that the CBC remains as previously proposed.

Other Indirect Impacts

There will be significant pressure to respond to such an increase in development volumes. It will take time to increase staffing in response and this will represent a significant increase in Planning and Development fees as well as additional cost for municipal tax and ratepayers.

It is recommended the growth targets account for this need for municipalities to ramp up to increased growth. The growth targets should be adjusted accordingly.

Summary

The changes to the Development Charges Act and the Planning Act regarding Parkland Dedication and Community Benefits Charges pose a risk to the City of Guelph's ability to fund the infrastructure required to support growth; this challenge is exacerbated by a near doubling of provincial growth targets for Guelph. The financial implications of Bill 23 if enacted as written, will have a significant impact on the ability of the City to fund growth related capital costs and will transfer a much larger burden for supporting the cost of growth to existing tax and ratepayers.

Historical changes to the Development Charge Act did not result in lower house prices and it is unlikely a reduction in theses costs would be passed on to homebuyers. In addition, if existing residents are required to make up for the shortfall in development revenue that would increase the overall cost of housing through increased property taxes and utility rates.

The City of Guelph calls on the Province to provide funding to assist with the offset of loss of funding growth related infrastructure so municipalities can partner with the Province to achieve its goal to build more homes faster.

Sincerely,

Shanna O'Dwyer, Acting General Manager, Finance and City Treasurer

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