

April 13, 2020

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Finance

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Dear Mr. Ballantine,

Re: Proposed Regulatory Matters Pertaining to Community Benefits Authority Under the *Planning Act*, the *Development Charges Act*, and the *Building Code Act* (ERO #019-1406)

Thank you for the opportunity to comment on the second round of proposed Community Benefits Charge (CBC) regulations, accompanying the *Bill 108: More Homes, More Choice Act, 2019*.

This letter should be viewed as subject to Council endorsement. A copy of the Report to Council resolution will be forwarded to Ministry staff for further consideration.

The Region shares the Province's goal of increasing the supply of housing for Ontario residents. This support is demonstrated through:

- The Region's new Housing Master Plan and upcoming spending on Affordable Housing.
- Regional submissions to each successive round of consultations on Bill 108;
- The Region's participation in the CBC Technical Working Group; and
- Regional Chair Nando Iannicca's December 2, 2019 letter, supporting the Municipal Finance Officers' Association's call for greater transparency and extended consultations on the CBC to Minister Steve Clark.

The Minister's February 19th response to the Chair's letter referred our concerns over the CBC capping formula and Bill 138 forward, to the present consultation.

The Region appreciates the Province's efforts to address the concerns of municipalities, specifically the following, within the current round of proposals:

- Restoration of Long-term Care and Public Health to the development charge (DC) regime;
- Removal of the 10 per cent mandatory DC deduction, an action that would represent approximately \$7.5 million (2015-2020) as calculated in the 2015 DC Background Study; and
- Altering the time to transition to the CBC to one year from the date the proposed regulations are passed.

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Having reviewed the current proposals, Regional staff have identified additional concerns over the potential financial impacts of the CBC on municipalities' ability to increase the supply of housing and plan for complete communities. The following recommendations are offered in the same spirit of support for that shared goal.

Development Charges Act and Planning Act Recommendations:

Recommendation: The Province should restore Social Housing and Shelter Services to the DC regime; or allow added flexibility for a larger CBC cap percentage that recognizes greater need.

It remains unclear why social services, such as Social Housing and Shelter Services (which remain under the CBC), will be funded through a land value-based cap, seeing as:

- Growth costs, such as increased service need or the price of building materials, change at a different pace and for different reasons than land values do.
- Initial staff modelling indicates CBC collections under the 5 per cent cap would likely result in significantly less dollars for funding Social Housing and Shelters than if the Region collected what it is entitled to under the DCA.
- Caps should be defined based on the services levels required by an approved strategy to ensure the quality and level of services created adequately address pressures created by new growth.

The Region's new spending commitments, under its new Housing Master Plan, require all previously planned revenues. Should the Province choose to maintain Social Housing and Shelter Services under the CBC, the following recommendations are offered:

Recommendation: The Province should provide transition rules for migrating soft services.

Some municipalities, including the Region of Peel, are in the process of updating their DC Background Studies and will need to pass new by-laws relatively soon.

- Clarity is required as to whether the Region may collect for "soft services" under its 2020 DC by-law, after the CBC regulations are filed, for the year before the regulations come into effect.
- Should this not be the case, the Region will not have sufficient time to prepare a CBC strategy, complete the required consultation process and enact a new CBC by-law in time to avoid a loss in revenues.

Recommendation: The Province should extend the CBC implementation process to 18 months from the date regulations are filed (a similar timeline to the DC process).

For the Region, having a CBC by-law enacted solely for social services creates an unnecessary administrative and resource burden.

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- Municipalities will be required to complete two separate background studies, with an increasing number of appraisals, and two separate sets of reporting requirements.
- Administrative burden could lead to higher upfront fees, confusion in DC/CBC payment timing, and disputes over land value, all of which could slow the building process and work against the goal of increased housing.

Recommendation: The Province should consider varying land values between different locations and densities, as part of the CBC cap.

Collecting CBC's based on a percentage of land value does not address cost variations between the location and density of new development sites.

- This may result in mispricing and additional risks for municipalities seeking to recover the costs associated with growth.
- The uniform 5 per cent CBC cap rate may shift the cost burden for soft services from residential to non-residential developments. Such a shift would have a negative impact on commercial/industrial development.
- There are many factors that affect land values (i.e. location, density, zoning, access to amenities etc.) which may lead to disputes over land value appraisals. This concern creates additional risk to the predictability of the total costs recoverable under the CBC for municipalities.

Growth in the capital requirements of new Regional service commitments, such as increased investment in affordable housing, will likely render CBC cap limits insufficient. Any loss in previously guaranteed revenues creates a service level risk for the Region. Such losses would necessarily need to be funded through the property tax.

We look forward to continuing to work with the Province to increase the housing supply and address the issue of housing affordability in the Region of Peel and across Ontario. Regional staff would be pleased to discuss any clarifications or provide additional comments as required.

Sincerely,



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