

CITY OF VAUGHAN

EXTRACT FROM COUNCIL MEETING MINUTES OF MARCH 19, 2019

Item 5, Report No. 5, of the Finance, Administration and Audit Committee, which was adopted without amendment by the Council of the City of Vaughan on March 19, 2019.

5. PROVINCIAL HOUSING SUPPLY ACTION PLAN CONSULTATION – UPDATE

The Finance, Administration and Audit Committee recommends approval of the recommendation contained in the following report of the Chief Financial Officer and City Treasurer and the Deputy City Manager, Planning and Growth Management, dated March 4, 2019:

Recommendations

1. THAT, Council receive this report for information; and
2. THAT, staff continue to monitor and review the proposed changes contemplated by the Housing Supply Action Plan and continue to work with the Region of York and other municipalities to provide comments on the proposed plan.

Finance, Administration and Audit Committee Report

DATE: Monday, March 04, 2019

WARD(S): ALL

**TITLE: PROVINCIAL HOUSING SUPPLY ACTION PLAN
CONSULTATION – UPDATE**

FROM:

Michael Coroneos, Chief Financial Officer and City Treasurer

Jason Schmidt-Shoukri, Deputy City Manager, Planning and Growth Management

ACTION: FOR INFORMATION

Purpose

To provide Council with information regarding the provincial consultation document “Increasing Housing Supply in Ontario”.

Report Highlights

- The Province announced during the 2018 Fall Economic Statement that the Ministry of Municipal Affairs and Housing (MMAH) will launch a Housing Supply Action Plan in spring 2019 to increase housing supply by addressing barriers that inhibit the development of ownership and rental housing.
- The barriers have been categorized into five themes: speed, mix, cost, rent, and innovation.
- MMAH held technical consultations with select industry representatives with a focus on Ontario’s development charges framework.
- York Region, the designated Service Manager for York responsible for the provision of supported housing programs and development of housing policy, provided a response to the Increasing Housing Supply in Ontario Consultation to MMAH on January 25, 2019.
- Local municipal staff contributed comments to the Region that were submitted to MMAH.

Recommendations

1. THAT, Council receive this report for information; and
2. THAT, staff continue to monitor and review the proposed changes contemplated by the Housing Supply Action Plan and continue to work with the Region of York and other municipalities to provide comments on the proposed plan.

Background

In November 2018, the provincial government announced that the Ministry of Municipal Affairs and Housing (MMAH) will launch a Housing Supply Action Plan in the spring of 2019 to help housing affordability and increase housing supply by addressing barriers to new home ownership and rental housing. MMAH sought public input on the Increasing Housing Supply Consultation Document (Attachment 1); the consultation period closed on January 25, 2019. This consultation does not cover initiatives specifically related to community housing (e.g. social and supported housing).

The consultation focused on five broad themes which are considered to be barriers to increasing housing supply:

- Speed: It takes too long for development projects to get approved
- Mix: There are too many restrictions on what can be built to get the right mix of housing where it is needed
- Cost: Development costs are too high because of high land prices and government-imposed fees and charges
- Rent: It is too hard to be a landlord in Ontario, and tenants need to be protected
- Innovation: Other concerns, opportunities and innovations to increase housing supply

MMAH hosted further technical consultation meetings regarding the cost theme, particularly around development charges (DCs), with the development industry, municipal associations, and select municipalities by invitation. City staff did not receive an invitation to attend but were engaged in the consultation process through meetings with area treasurers and contributed comments to support York Region's response (Attachment 2). Finance staff also attended webinars hosted by the Municipal Finance Officers' Association (MFOA) and reviewed their response (Attachment 3).

Previous Reports/Authority

N/A

Analysis and Options

Development Charges and Housing Affordability – Technical Consultations

The body of this report provides a discussion on some of the key themes that emerged from the technical consultation regarding DCs and housing supply. Municipalities across Ontario are in general agreement that DCs are an important revenue tool to support the delivery of growth-related infrastructure. Any reduction to DC funding may negatively impact growth and lead to unintended consequences. It is staff's opinion that the key themes communicated by the various technical consultation participants are generally aligned to Vaughan's position.

There is no evidence that indicates lower DCs would increase housing supply and affordability.

Housing prices are driven by a multitude of factors and it is difficult to isolate the impact of a single variable such as DCs on housing prices. In the current climate of growth, Vaughan's real estate market is strong and there is no evidence that suggests reductions in DCs would reduce house prices or result in increasing housing supply.

DCs are an important revenue tool to ensure that growth pays for growth.

In its consultation document, the Province suggests that development costs are too high because of land prices and government-imposed fees and charges, including DCs. Development charges remain indisputably an important funding source for municipalities to support the delivery of growth-related infrastructure. Any changes to the current DC framework that would result in a reduction of DCs would negatively impact housing supply because the total cost of infrastructure needed to support growth would remain the same, likely requiring municipalities to recover costs from property taxes and user fees. This would result in significant funding challenges for municipalities and may have unintended consequences of restricting growth in order to maintain affordable tax and utility rates. It should also be noted that the *Development Charges Act* already requires existing taxpayers or ratepayers to subsidize a portion of growth-related expenditures by imposing ineligible services and providing a 10% discount.

This is especially true for a fast-growing municipality like Vaughan. Vaughan's unprecedented growth has presented challenges in planning for and funding different service requirements, particularly in areas of intensification as the City transforms from a bedroom community to a major urban centre with greater access to housing options. DCs are an important revenue tool to help fund growth driven transformative developments, such as the VMC, and signature amenities such as the Edgeley Pond and Park.

There are other more effective tools to affect housing supply and affordability than DCs.

Housing supply and affordability needs are different in each municipality and many municipalities have used a range of tools to incentivize certain types of development. For example, the City of Vaughan has a Community Improvement Plan (CIP) for the Vaughan Metropolitan Centre (VMC) and other intensification areas to attract office development. York Region also offers DC and property tax relief to certain qualifying developments to encourage affordable and purpose-built rental housing. The current DC framework provides flexibility for municipalities to introduce policy tools to meet their particular needs. Further information regarding the York Region Rental Housing Incentives Guideline is provided under the Broader Regional Impacts/Considerations section of this report.

Financial Impact

Legislation or policy changes that result in a reduction in DC funding, or other growth-related fees, including planning and building approval fees, would likely require the City to shift more of the recovery costs to property taxes and utility rates. This would negatively impact the City's ability to put in place the infrastructure required to support growth, challenge the City's long-term financial sustainability, and add pressure to the City's property tax and utility rate base.

Broader Regional Impacts/Considerations

As prescribed under the *Housing Services Act*, 2011, York Region is the designated Service Manager for York and is responsible for the provision of supported housing programs and development of housing policy. To support York Region in fulfilling this mandate, lower-tier municipalities provide input on a variety of housing initiatives.

In 2016, York Region established the York Region Local Municipal Housing Working Group to provide a forum for dialogue regarding housing matters relevant to the Region. The focus of the Working Group is the development of a Rental Housing Incentives Guideline, which was received by Regional Council in [draft form](#) on June 21, 2018. Vaughan staff provided comments from affected City Departments on the draft Incentives Guideline, which included consultation on aspects of the development review process such as DCs and application fees.

With respect to the Provincial Housing Supply Consultation, York Region provided a response to the Ministry of Municipal Affairs and Housing dated January 25, 2019 (Attachment 2). The response considers similar focus areas as the draft Incentives Guidelines. Some of the highlights of the Region's response to MMAH are as follows:

- there is a healthy supply of housing to accommodate growth in York Region, however there is a lack of affordable ownership and rental housing
- a number of factors contribute to the speed it takes to get development approvals, such as the quality and complexity of planning and development applications
- governments are increasingly using technology to improve the timing of development applications, such as developing programs for the digital submission of planning and development applications
- planning tools, such as inclusionary zoning and height and density bonusing, are available to municipalities to encourage the right housing mix and should continue to be used
- surplus publicly owned land, which is accessible to transit, community services and amenities, should be offered at no or minimal cost for affordable housing and surface parking lots at GO Transit stations could be used for affordable and subsidized rental housing and parking structures

Vaughan Council received a Staff Report “Housing for Persons with Disabilities Response to Council Resolution (Item 13, Report No. 44)” at the Committee of the Whole meeting on Tuesday, January 22, 2019:

<https://pub-vaughan.escrimemeetings.com/filestream.ashx?DocumentId=9568>.

City staff are currently working with York Region on several initiatives regarding affordable housing to develop the strategies and implementation tools necessary to achieve the affordable housing targets established in VOP 2010, including a provision for accessible units. As part of the Region’s Municipal Comprehensive Review (York Region Official Plan Review), City staff will participate in the review of the Housing Strategy for York Region, which will include an analysis of the affordable housing sector and policy framework in York.

Conclusion

City staff will continue to monitor the developments of the Housing Supply Action Plan and work with York Region and other municipalities across Ontario to consider ways to increase the housing supply and housing affordability within the existing framework.

For more information, please contact: Maggie Wang, Manager, Corporate Financial Planning and Analysis, ext. 8029 or Fausto Filipetto, Manager of Long-Range Planning, ext. 8699.

Attachments

1. Ministry of Municipal Affairs and Housing's Increasing Housing Supply in Ontario Consultation Document
2. York Region Staff Comments in Response to the Increasing Housing Supply in Ontario Consultation
3. MFOA Technical Response to: Increasing Housing Supply in Ontario, A Consultation Document

Prepared by

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INCREASING HOUSING SUPPLY IN ONTARIO

Consultation Document



Find out more at:
www.ontario.ca/housingsupply

Increasing Housing Supply in Ontario

Consultation Document

About this consultation

A strong demand for housing and limited supply in Ontario has resulted in rapidly rising housing costs over the last few years. In high-growth urban areas, high prices and rents have made it too hard for people to afford the housing they need. High prices also affect other parts of Ontario, including northern and rural communities, where a lack of supply has made ownership more difficult and quality rental housing hard to find.



To help increase the supply of housing in Ontario, the government is developing a Housing Supply Action Plan that will address the barriers getting in the way of new ownership and rental housing.

To inform the Action Plan, the government wants to hear the views of all Ontarians on how to expand the housing supply in Ontario. Your input will provide important information about how we can make it easier for Ontarians to find an affordable place to call home.

Share your ideas by visiting ontario.ca/housingsupply or emailing housingsupply@ontario.ca by January 25, 2019.



Introduction

Housing is one of the largest cost burdens for households in Ontario, and an imbalance between strong demand for housing and limited supply means these costs have risen dramatically over the last few years. Across Ontario – in both urban and rural communities – high prices and rents have made it hard for people to afford the housing they need.

Creating more housing, of the types and sizes people need, will help make home ownership and renting more affordable and give people more choice.

The government is developing a Housing Supply Action Plan to address the barriers to creating more housing. It will include measures that the Province can take to increase the supply of new ownership and rental housing in Ontario. The Housing Supply Action Plan will support the government's commitment to reduce red tape and make it easier to live and do business in Ontario.

This consultation does not cover initiatives specifically related to community housing (e.g., social and supportive housing). However, the barriers and potential solutions being explored may have a positive impact on community housing providers, such as by either making it easier to develop new housing, or by easing some of the pressure on waitlists.



Barriers to new housing supply

The government has heard from many individuals and groups that it has become too complicated and expensive to build new housing in Ontario. There are five broad themes:

1. Speed: It takes too long for development projects to get approved.

To get a new home from the drawing board to the market, a number of different planning, building and site-specific approvals and permits are needed. These may be required by municipalities, provincial ministries, agencies, utilities, and occasionally federal authorities.

A single housing project may require approvals from many of these entities. Duplication, lack of coordination and delays add burden to the development process and increase costs for builders and homebuyers. Potential appeals of these decisions can add further delays and uncertainty.

The various regulatory requirements and approvals were established to serve specific public interests, policy objectives or government goals. For example, rules and processes exist to ensure the health and safety of residents, protect environmentally and culturally sensitive areas, and support economic development and a vibrant agricultural sector. Efforts to streamline these requirements need to balance these multiple goals.

What do you think?

- How can we streamline development approval processes, while balancing competing interests and the broader public interest?



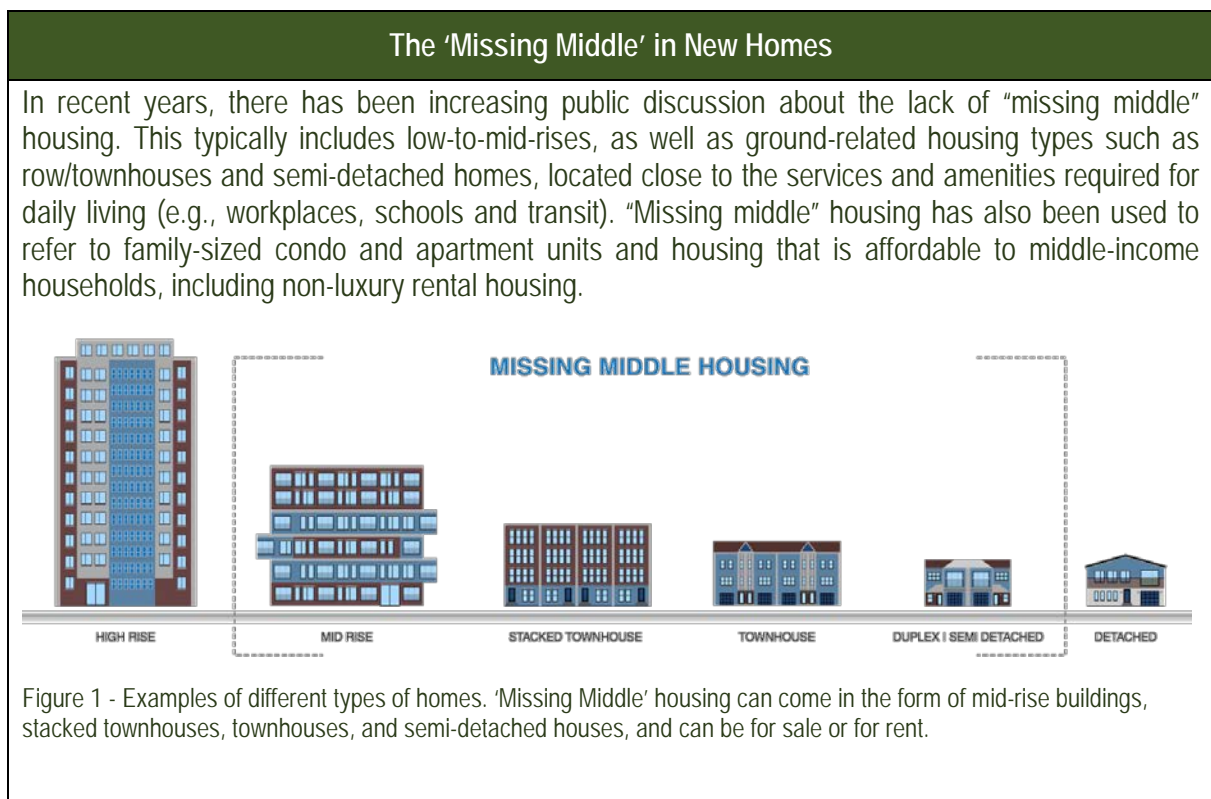
2. Mix: There are too many restrictions on what can be built to get the right mix of housing where it is needed.

Many people have pointed out that the mix of housing types being built does not fully reflect what people are looking for, and certain types of housing are not being built where demand is greatest. For example, the government has heard that not enough housing appropriate for families and seniors wishing to downsize is being built near transit, schools, workplaces and amenities.

Market conditions, provincial policies and plans, local planning priorities, and municipal zoning by-laws can all affect the type and location of housing.

Promoting “gentle” density and a mix of housing, and creative re-use of heritage properties and building design ideas can result in more housing, as well as economic and environmental benefits.

The character of some existing neighbourhoods will begin to change as new types of housing are built. The government has heard that plans to make more room for housing also need to respect the existing qualities of these neighbourhoods.



What do you think?

- How can we make the planning and development system more effective to build the kind of housing people want, and can afford, in the right places with the right supports (e.g., schools, transit and other amenities)?
- How can we bring new types of housing to existing neighbourhoods while maintaining the qualities that make these communities desirable places to live?
- How can we balance the need for more housing with the need for employment and industrial lands?

3. Cost: Development costs are too high because of high land prices and government-imposed fees and charges.

New housing development requires access to serviced land (land that has critical infrastructure like water and sewer lines in place). Some people have raised concerns that land prices are driven up because there is a lack of serviced land available for development in locations where people want to live. There have also been debates about how best to pay for that servicing and how to ensure it is done in the most cost-effective manner.

Development Charges

Under the Development Charges Act, 1997, municipalities are permitted to levy certain charges on new developments, including housing and commercial developments. These funds are designed to assist municipalities in paying a portion of the costs for growth related services, such as roads, water services, and police and fire services.

Under the Education Act, school boards may also levy education development charges. Education development charges are primarily levied by school boards that cannot accommodate new students in their existing schools and may only be used to purchase and prepare land for future school sites.

Government-imposed costs also make it more difficult and expensive to develop new housing. Examples include municipal and education development charges, planning and building approval fees and federal and provincial taxes.

Rental housing developers have noted that the challenges created by high land prices and government-imposed costs make some of their projects financially unfeasible due to the inability to attract investment capital.

Many of the investments in public infrastructure (e.g., sewer and water services, roads, etc.) needed to support housing development are funded by these fees and charges. There is a need to balance efforts to lower the costs of development with building and maintaining vital public infrastructure.



What do you think?

- How can we lower the cost of developing new housing while ensuring that funds are available for growth-related infrastructure (e.g., water and sewer systems, fire and police services, schools, roads and transit)?
- How can we make sure that serviced land is available in the right places for housing?

4. Rent: It is too hard to be a landlord in Ontario, and tenants need to be protected.

It is hard for Ontarians to find rental housing that is affordable and meets their needs. In many urban areas, vacancy rates have fallen to historic lows. In northern and rural communities, a long-term shortage of suitable rental units has made it difficult for renters to find a home in their communities.

A rental unit can be an apartment, a house, a condominium unit, a unit in a retirement or care home, or a home in a mobile home park or land lease community.

Landlord and Tenant Board

The Landlord and Tenant Board (LTB) is an adjudicative tribunal that is accountable to Ontario's Ministry of the Attorney General, and makes decisions independent of government.

The LTB adjudicates disputes and also provides information to landlords and tenants about their rights and responsibilities under the Residential Tenancies Act, 2006.

Over the past few years, wait times for hearings and orders have increased at the LTB.

In Ontario, rental housing is regulated by the *Residential Tenancies Act, 2006*. This Act establishes rules for landlords and tenants, including rent increase rules. It also establishes the Landlord and Tenant Board, which helps landlords and tenants resolve disputes.

Many small landlords say the Act makes it difficult to be a landlord. On the other hand, tenants have said they need stronger protections against unlawful evictions and poorly maintained rental housing.

Second units, such as basement apartments, are an important part of the rental market and can make better use of existing homes. Yet creating new legal second units is difficult because of government requirements, such as the Building Code and local bylaws/restrictions.

What do you think?

- How can we make the current system work better for landlords?
- What additional protections should be provided for tenants?
- How do we encourage homeowners to create legal second units and new rental supply?

5. Innovation: Other concerns, opportunities and innovations to increase housing supply.

The government is interested in other creative ideas to help increase the supply of housing. Some examples include:

- Innovative forms of homeownership
- State-of-the-art building designs and materials.
- Creative building design ideas to improve the quality of the community.

The government is also interested in hearing your input about other issues that people face when trying to find or afford a home, including issues that new home buyers face.

What do you think?

- How do we encourage innovation in the building industry while maintaining high standards of safety and efficiency?
- Are there any innovative forms of homeownership (e.g., shared ownership or rent-to-own models) that you feel could help make housing more attainable?
- Do you have any creative ideas to make better use of existing homes, buildings and neighbourhoods to increase the supply of housing?
- What other creative solutions could help increase the supply of housing?
- What type of protections would help new home buyers?



Your privacy matters

Your privacy is important to us. By participating in this consultation through the online survey or sending your submission, you may be sharing some personal information with the Ministry of Municipal Affairs and Housing. Any personal information collected will be handled according to our [Privacy Statement](#) and used only for research and housing policy development purposes. This information is collected pursuant to section 4 of the Ministry of Municipal Affairs and Housing Act. Questions about the collection of personal information may be directed to:

Director, Market Housing Branch
Ministry of Municipal Affairs and Housing
777 Bay Street, 14th Floor
Toronto, Ontario M5G 2E5
Phone: 416-585-6872
Email: housingsupply@ontario.ca



Increasing Housing Supply in Ontario
ontario.ca/housingsupply



January 25, 2019

BY E-MAIL ONLY (housingsupply@ontario.ca)

Rachel Simeon
Director, Housing Division
Market Housing Branch
Ministry of Municipal Affairs and Housing
777 Bay Street, 14th Floor
Toronto, Ontario M5G 2E5

Dear Ms. Simeon,

RE: York Region Staff Comments in Response to the Increasing Housing Supply in Ontario Consultation (ERO #013-4190)

In response to the Provincial Government's consultation on "Increasing Housing Supply in Ontario", York Region staff are pleased to provide input to inform development of the Ontario Housing Supply Action Plan.

This letter summarizes considerations to help address challenges and eliminate barriers to increasing housing supply in Ontario. Detailed staff input related to the five consultation themes (Speed, Mix, Cost, Rent and Innovation) are provided in the attachment. Regional staff and local municipal staff within York Region contributed to the comments consolidated below and attached.

York Region has a healthy housing supply to accommodate growth, but there is a lack of affordable ownership and rental supply

With a five year supply of draft approved and 20 to 23 year supply of designated land for housing, York Region has a healthy housing supply to accommodate growth. The problem is that most developments are geared to the ownership market and there is a shortage of rental housing supply that has the best opportunity to help address affordability. Provincial and Federal programs and investments would make the biggest impact to increase rental supply. Municipalities also need appropriate tools and flexibility to incentivize purpose-built rental developments. All levels of government need to combine efforts to address affordability. No one level of government can do it alone.

Housing affordability is deteriorating in York Region. Between 2007 and 2017, resale home prices in York Region increased by 154 per cent while average household income grew by only 14 per cent. The demand for rental housing is increasing due to rising ownership costs, demographic shifts of an aging population, and an increasingly mobile workforce. Lack of affordable ownership and rental housing makes it difficult for the Region to attract and retain talent needed to maintain a strong economy. One suggested funding tool is to provide municipalities a share of the Non-Resident Speculation Tax (NRST) collected within their jurisdictions from property transactions to support affordable and rental housing. In York Region alone, the Province collected \$53 million in NRST revenue between April 2017 and February 2018.

The Province is also requested to continue its work on modernizing the social housing system in Ontario, including introducing flexibility to the *Housing Services Act, 2011* to deliver rent subsidies and administer housing wait lists. The Region recommends the Province continue its work with the Federal government to implement the Canada-Ontario Bilateral Agreement under the National Housing Strategy to provide much needed housing options to York Region residents.

All parties involved in the submission and review of development proposals can contribute to a more timely review and approval process

York Region staff acknowledge the importance of reviewing applications for approval in a timely manner and has recently invested and undertaken a number of initiatives to streamline the review process. Process improvements include the development of a new application tracking system. We recognize all parties involved in the submission and review of development proposals from the official plan, secondary plan, block plan through to zoning by-law amendment stages can improve review timelines. The Region is committed to working expeditiously with our provincial, municipal, agency, development industry, and other partners to advance development approvals that are in the public interest.

The Province should streamline approvals of infrastructure projects to provide servicing capacity required to unlock designated housing development

Timely Provincial approvals of critical infrastructure such as water and wastewater services are necessary to support development of new housing in some York Region communities. Without timely approvals, infrastructure project delivery such as the Upper York Sewage Solutions (UYSS) project has been stalled for four or more years, increasing project costs substantially and leaving three of York Region's growing municipalities without capacity in the next three to five years. Provincial approvals of infrastructure projects to unlock servicing capacity have become critical to bring designated housing supply to market.

Reductions in development charges would transfer growth costs to all residents, resulting in significant water rate increases

Funding for infrastructure is another key consideration to ensure growth pays for growth. Development charges (DCs) are a major source of funding for required infrastructure to accommodate growth, including water, wastewater, roads, transit and public health services. DCs demonstrate fairness for taxpayers/ratepayers by ensuring that growth pays for the infrastructure required to service growth, providing a direct benefit to homebuyers.

Regional development charges only represent approximately five per cent of the price of a new home in York Region, which is significantly less than the cumulative fees and taxes levied by other levels of government. Any change to the development charge eligibility of water and wastewater services which significantly shifts the burden of new growth to existing ratepayers, could slow the building of new infrastructure and growth due to funding issues. Elimination of DCs for water and wastewater also has potential to nearly double water rates for all water users in York Region.

Consistent region-wide data can help identify key issues and generate effective solutions

The Greater Golden Horseshoe Housing Supply Data and Evidence Working Group was established to develop a framework for collecting and reporting on region-wide housing supply data. We encourage the Province to implement the recommendations from this working group. Consistent regional data will facilitate a better understanding of the housing supply situation and help the Province apply an evidence-based approach to addressing issues and identifying solutions.

York Region staff would be happy to discuss these comments further with Provincial staff. For questions regarding the above and attached comments, please contact me at paul.freeman@york.ca or Sandra Malcic, Director of Long Range Planning at sandra.malcic@york.ca.

Yours truly,

A handwritten signature in blue ink, appearing to read 'Paul Freeman', followed by a period.

Paul Freeman, MCIP, RPP

Chief Planner

Planning and Economic Development Branch

The Regional Municipality of York

Attachment – York Region Staff Comments on the “Increasing Housing Supply in Ontario” Consultation

York Region Staff Comments on the “Increasing Housing Supply in Ontario” Consultation

General Comments

Increasing housing prices in the Greater Toronto Hamilton Area are largely influenced by demand-based pressures

Between 2007 and 2017, resale home prices in York Region increased by 154 per cent while average household income grew by 14 per cent. Both supply and demand-based pressures influence housing prices, some of which are beyond a municipality's control. Factors that contribute to increases in housing costs include:

- Demand for locating in highly desirable locations like the GTHA
- A favourable lending environment (e.g. low interest rates and accessibility of mortgages)
- Investment housing rather than for shelter
- Population growth and changes in demographic composition
- Rise in development costs, including land and construction costs
- Land supply and regulations

Staff recommend the Province consider all factors impacting housing supply and those truly causing affordability challenges when generating solutions to address challenges and barriers. It is imperative that we tackle the right factors with solutions that have the biggest impact on the problem.

York Region has an adequate housing supply to accommodate short and long term growth

York Region staff have been monitoring the Region's housing supply on a regular basis. Currently, there is a healthy supply of lands designated for both ground-related and high-rise housing to accommodate short and long term growth. Specifically, the Region has approximately five years of supply in registered and draft approved units (about 40,000 units), exceeding the minimum three year supply required by Provincial policy. The majority of these units have servicing capacity. A further 40,000 units are being reviewed at the proposal stage. Analysis reveals the 21 to 23 years of designated supply surpassing the ten year Provincial policy requirement.

York Region has a shortage of rental housing

Despite a healthy designated residential supply, York Region currently has the lowest proportion of rental households in the GTHA. Further, the share of rental supply in York Region grew by only two per cent (from 12 per cent of the total housing stock to 14 per cent) within the last decade. There has been very limited new purpose-built rental construction, placing increasing pressure on the Region's subsidized housing system. Demand for rental housing is increasing due to demographic shifts, such as an aging population, and rapidly increasing home prices that

have outpaced increases in income by a factor of ten times. Despite the need for rental options, the majority of new units built are ownership units. While the Region is working with our local municipalities to identify ways to encourage construction of rental housing, the Provincial and Federal governments are encouraged to increase investment in rental housing, including through revenues generated under the Non-Residential Speculation Tax.

Theme 1 - Speed

Development proposals that reflect the approved planning policy framework, and contain complete and comprehensive submissions can expect more expeditious review

Applications that seek to amend the approved planning policy framework can significantly lengthen the development approval timeframe for such proposals. Proposals that are consistent with existing up-to-date policies and zoning requirements reflects the community's vision and direction for growth and development.

The quality of the development submissions and resubmission delays can impact review timing. Information gaps and the absence of a comprehensive assessment may result in multiple submissions, adding to overall review time. Staff recognize that all parties involved in the submission and review of development proposals can make positive contributions to speed up the process. York Region acknowledges the importance of efficient application review timeline and has recently undertaken initiatives to facilitate a streamlined review process. A number of process improvements have been implemented in recent years, including development of a new application tracking system discussed below.

The Province and municipalities can leverage digital solutions to manage workflow and strengthen coordination as part of the development review process

Governments are increasingly leveraging technology to improve coordination and reduce circulation timeframes in the development review process. In 2017, York Region launched a Growth and Development Tracking Software Solution (YorkTrax) to strengthen coordination among internal departments involved in development application review. The solution automates workflow and facilitates collaborative electronic document sharing across the corporation, eliminating duplication and improving transparency. YorkTrax is ultimately moving the application process to a paperless environment and provides a single source of development data used by multiple departments across the corporation.

Since delivery of this corporate-wide solution, York Region has reduced circulation time and improved commenting coordination among departments. The Region is striving to create a single, web-based, online (24/7), integrated development tracking solution shared with York Region's municipalities, with a vision to link Regional-Local tracking systems. Further efficiencies will be realized as YorkTrax expands to serve local municipalities, other review agencies, developers and the public.

More complex development applications may require extensive review

Municipalities receive development applications of varying scale and complexity. Since developments have lasting impacts on the community and surrounding land uses, a reduction to development review timelines should be weighed against the need for careful and detailed impact assessments. This includes ensuring a development proposal is consistent with the approved planning framework and in the public interest. In this regard, we do not believe reductions to the current *Planning Act* approval timelines should be made. Improved coordination among review agencies and efforts to streamline the review process can facilitate more efficient review and approval of applications from official plan amendments and secondary plan through to the zoning by-law amendment stage.

Development review and approval timeframes are not always controlled by the approval authority

When commenting agencies and approval authorities process a development application, time spent awaiting resubmission of supporting documentation can add unnecessary delays. Municipalities should have the ability to “stop the clock” on the legislated development review timeframe or discount re-submission wait times controlled by a development proponent. This approach would more accurately reflect the total development review and approval timeframe within the commenting agency’s and/or approval authority’s control.

The Province should uphold non-appealable matters under Bill 139 and further expand the list of matters sheltered from appeal

Costly and lengthy appeals can cause significant delays to approval of new developments that conform with Council-approved policies. The Province should uphold sheltering provincially approved Official Plans, Official Plan amendments including conformity exercises, and Official Plan policies and zoning in Major Transit Station Areas from appeals. This adds more certainty to the review and approval timeline avoiding lengthy appeal processes. The Province should further expand non-appealable matters to include local municipal official plan updates that conform to a Regional Official Plan in a two-tiered system. It has been York Region’s experience that provincially-approved urban expansion lands were appealed at the Regional and local level, delaying opportunities for housing development in these areas.

Theme 2 – Mix

Municipalities can leverage planning tools and community development models to provide more housing in appropriate locations for people of all ages

The Province should continue to support use of planning tools such as inclusionary zoning, the Community Planning Permit System (CPPS) and density bonusing to deliver affordable housing as a community benefit in appropriate locations for individuals, families and seniors. Inclusionary zoning supported by the existing regulation (with no mandatory offsets requirements to deter municipal use) can ensure new housing stock is offered at affordable prices and rents. CPPS can support family-sized units in intensification areas. Density bonusing

provisions in the *Planning Act* should be tightened to support affordable housing. For older adults and seniors striving to age in the same community, the Province should partner with municipalities to establish Service/Community Hub models that incorporate housing. This will provide a central access point for a range of housing mix alongside needed health and social services, and cultural, recreational, and green spaces.

Updating zoning provisions can introduce gentle intensification to increase housing supply while maintaining compatibility

Municipalities have traditionally prioritized the protection of low-density single detached dwelling neighbourhoods. To avoid the emergence of new oversized housing forms replacing older and smaller structures, municipalities can employ zoning tools to limit the size of new or redeveloped dwellings, or permit change on the edge of neighbourhoods in transit-supportive locations.

Zoning that focuses on built form rather than the number of units contained within a structure provides residents the ability to divide their houses to suit various life stages (i.e. adding a second unit to rent for income, to accommodate an elderly parent). This would reduce barriers for property owners to stratify an existing home into multiple units (i.e. micro-suites) to promote more flexible use of existing homes and increase housing supply. This can benefit seniors wanting to add a second rental unit for income, and new homebuyers wanting to purchase a smaller dwelling within an established neighbourhood.

The Province should legislate affordable and rental housing targets in new secondary and block plan areas

Municipalities across Ontario are struggling to attract new affordable and purpose-built rental housing in their communities. The Province should legislate requirements for affordable and rental housing targets in new greenfield communities. The Province can also encourage municipalities to introduce policies where affordable and/or rental units would constitute early phases of a multi-phase development. Legal requirements can ensure these units remain as rental and/or affordable for a certain period of time.

More effective use of surplus public lands can contribute to housing supply

Publicly owned properties that offer good access to transit, community services and amenities are suitable locations for housing development. The Province should offer surplus provincial properties at these locations at no or minimal cost for affordable housing development. The Province can also leverage public sector lands for redevelopment in partnership with the private sector and non-profit developers.

Some of the most valuable land in the GGH are those in direct proximity to major transit stations, providing access to transit and services. Provincially owned surface parking lots at GO Transit stations can be made available for affordable and subsidized rental housing and structured parking. The Province can develop these lands through public-private partnerships to ensure the best use of these lands.

The Province should raise awareness of non-traditional housing arrangements to increase supply

Home share programs and co-housing arrangements support more efficient use of land, provide housing options, and encourage social support and interaction in a home or community setting. Provincial efforts should be directed to educating the public and raising awareness on housing opportunities stemming from non-traditional living arrangements. Partnering with home matching service providers can help connect individuals seeking and offering housing opportunities. The Province can also reinforce benefits of living in rental housing for seniors, as a viable option to accrue capital and prepare for retirement.

A healthy supply of rental and affordable housing and employment lands can attract and retain talent to support the Region's growing economy

A diverse supply of employment lands helps to create a competitive and flexible economic environment that welcome investments, attracts high quality employers, and offers diverse employment opportunities to residents. A healthy supply of affordable housing options and diverse job opportunities in specific locations can attract and retain a talented workforce. Provincial efforts should be made to promote live-work opportunities in urban growth centres and intensification corridors supported by transit, by attracting quality office jobs and directing residential growth to these areas. Municipalities should continue to have the autonomy to identify and protect strategic employment areas with access to highways for goods movement.

Increased Provincial investment in a GGH-wide transportation and transit network system would help facilitate development of new housing in strategic growth areas

When transit is accessible, it promotes more compact development in intensification areas and corridors, providing more housing opportunities. With multiple levels of government and agencies having jurisdiction over different components of the transportation and transit network, increased investment and collaboration can ensure effective and efficient delivery of an interconnected transit system for those living and travelling within the GTHA.

Theme 3 - Cost

Streamlining Provincial approvals on infrastructure projects can help unlock infrastructure capacity necessary to facilitate housing development

A significant challenge for municipalities is obtaining Provincial approvals for vital infrastructure to support growth and development. For example, York Region has experienced a four year delay over and above legislative timelines in the Provincial review and approval of the Environmental Assessment related to the Upper York Sewage Solutions project. These delays have increased project and infrastructure delivery costs. The Region has invested \$75 million to date, with still no approval from the Province despite having a positive Provincial government in 2016. Delays to the Upper York Sewage Solutions project has limited the ability to bring servicing capacity online to accommodate the supply of housing on designated lands. This leaves three of York Region's communities without servicing capacity in the next three to five years.

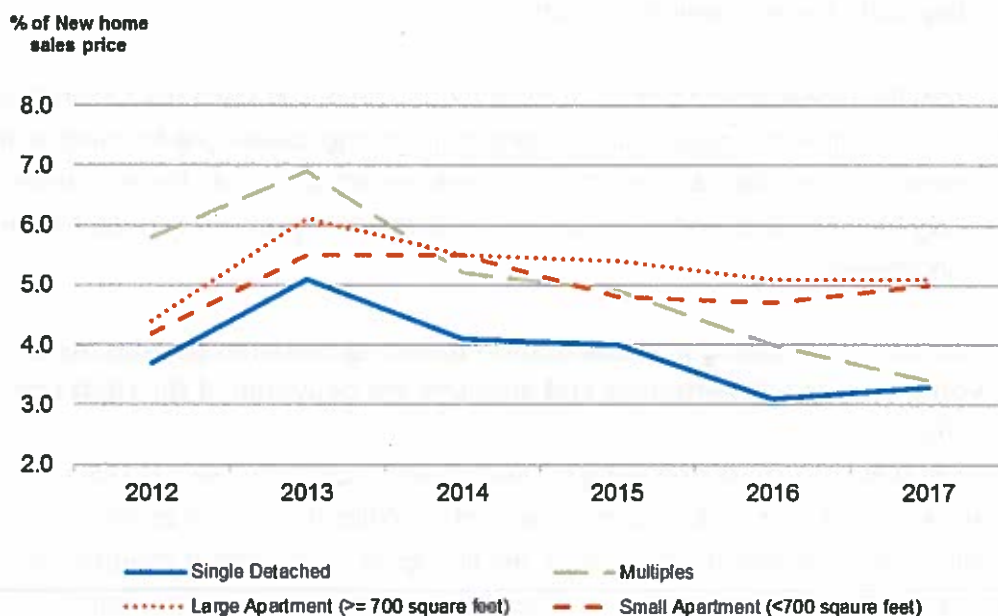
Streamlining Environmental Assessment (EA) and other provincial infrastructure approval processes should be a Provincial priority in order to unlock infrastructure capacity to support growth and housing development. The Province should introduce a regulation to expedite water, wastewater and road infrastructure which mirrors Ontario Regulation 355/11: Transit Projects and Metrolinx Undertakings. This regulation recognizes timely delivery of transit infrastructure as a priority for the Province and provides a streamlined process to fulfill EA requirements limited to six months.

Regional development charges represent approximately five per cent of new housing prices, far lower than provincial and federal tax rates

Development charges demonstrate respect for taxpayer by ensuring growth pays for only the infrastructure required to service that growth. Between 2012 and 2017, historical Regional development charges, for all classes of residential development, averaged just under five per cent of new home sale prices (as illustrated in Figure 1). Water and wastewater development charges only account for two to three per cent of new home prices. For ground-related products (i.e. single detached, semi-detached and townhouses), increases in home sale prices have significantly outpaced increases in Regional development charges.

Figure 1

York Region Development Charges as a Percentage of New Home Sale



Source: RealNet and York Region Finance Department

New homebuyers pay provincial and federal taxes on a new home. The Harmonized Sales Tax (HST) and provincial land transfer taxes applied to new residential dwellings account for approximately 14 per cent of the purchase price. Unlike development charges that provide a

direct benefit to homebuyers, provincial tax rates do not fund services related to bringing new housing stock online. Although there are rebate programs for the HST and the provincial land transfer taxes, not all new homebuyers are eligible. These rebates mainly benefit first time home buyers and/or those purchasing a new or significantly renovated unit. Staff recommend the Federal and Provincial governments consider additional tax relief mechanisms to lower the cost of housing rather than constraining development charges.

Development charges are necessary to ensure that growth pays for growth and not charge the broader tax/rate payers for services they do not benefit from

Development charges remain an important funding source to support the delivery of growth-related infrastructure. A reduction in eligible development charges, such as water and wastewater, would not reduce the total cost of the infrastructure needed to support growth. In addition, if the statutorily prescribed methodology for calculating development charges were to change, resulting in less development charge-eligible costs, those costs would also have to be funded by other sources. Funding shortfalls would need to be filled by the tax levy and/or through user rates, which is inappropriate.

If growth-related costs were no longer eligible for development charges, it has the potential to nearly double water rates. From a transportation perspective, increasing property costs for road projects requires corresponding increases in development charges or residential tax rates. Reducing development charges can limit the Region's ability to deliver annual road capital programs to adequately support planned growth.

Shifting away from the development charge funding model, premised upon the notion that "growth should pay for growth", could result in significant funding challenges for municipalities. Untenable increases to user rates and/or property taxes, necessary to pay for growth-related infrastructure, may have the unintended consequence of restricting growth in order to control or limit rate or tax increases.

Firmer commitments on housing implementation timelines from the development community would ensure infrastructure and services are delivered at the right time and place for housing

One issue that impacts the cost of delivering infrastructure to support growth is lack of certainty of when, where, and what type of development will occur. While the Region designs, implements, and finances infrastructure upfront, the timing for development charges payment, development construction and occupancy is driven by the market and the development industry.

Given timelines associated with designing infrastructure, obtaining approvals, acquiring lands, and constructing systems, York Region has to build infrastructure based on assumptions for residential development that could change. Firmer commitments from the development community would help municipalities ensure that infrastructure is delivered at the right scale and time. For example, if the pace of development lags, early stage servicing issues could result

with low sewage flows directed to treatment plants creating significant operating difficulties and associated costs. Similar impacts occur for drinking water, where low water consumption creates high water age and consequently water quality issues in local water distribution systems.

A further risk that significantly impacts cost effectiveness of system planning and service delivery is the deviation of development types, location and timing from planned assumptions. Strengthening the certainty of and commitment to planned development would result in more efficient planning and delivery resulting in cost savings.

Development charge and property tax relief can stimulate affordable and purpose-built rental housing development

Since 2001, York Regional Council has provided a full development charge exemption for low-income housing built by Habitat for Humanity. The Region can also provide full, or partial, property tax and development charge exemptions for qualifying private and non-profit affordable rental housing providers. Finally, private purpose-built high density rental buildings in York Region can also apply for a 36 month, interest-free, development charge deferral.

It is recommended that the Province expand financial incentive programs to bring more new affordable and purpose-built rental housing to Ontario communities.

Changes to the Harmonized Sales Tax policies can incentivize rental developments

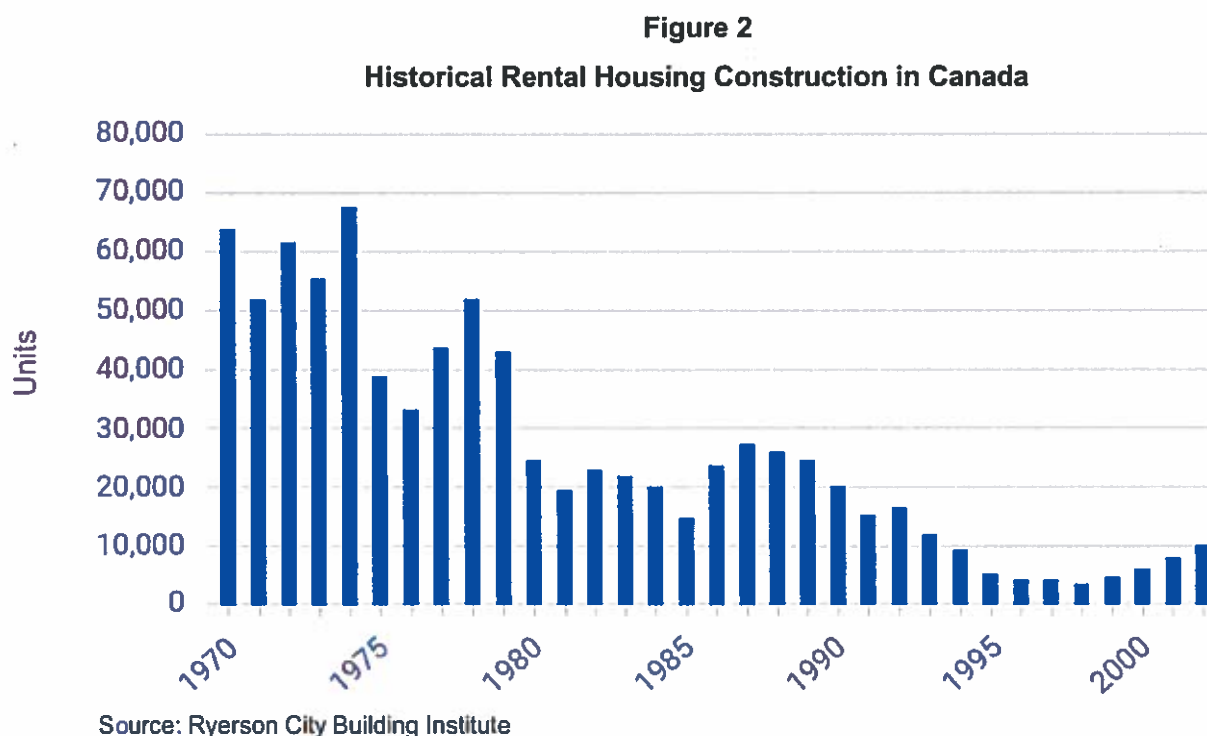
Under the current tax system, rental housing developers pay Harmonized Sales Tax (HST) when purchasing goods and services to construct and operate rental buildings. Yet, these developers cannot charge HST on residential rents and need to pay HST for completed rental units they will own and maintain. Existing tax policies create financial disincentives for investment in purpose-built rental housing projects. An alternative tax scheme is needed to reduce the cost of building and maintaining rental supply. The Province should advocate to the Federal government for changes to the tax treatment of purpose-built rental housing or, as an alternative, offer an HST rebate to purpose-built rental building developers.

Non-Resident Speculation Tax revenue can fund affordable and rental housing development

The Provincial Non-Residential Speculation Tax (NRST) is a 15 per cent land transfer tax applied to the purchase of a residential property by non-Canadian citizens or permanent residents in the Greater Golden Horseshoe. Between April 2017 and February 2018, \$173 million was collected in NRST with \$53 million from York Region property transactions. The British Columbia government has committed to reinvesting revenues from their Foreign Buyers Tax into affordable housing projects. We recommend the Ontario government direct funds equivalent to the share of NRST collected from York Region properties to support affordable and rental housing development in the Region.

The Provincial and Federal governments should reinstate programs to support and promote rental housing development

Several higher level government policies and programs incentivized rental housing development in Ontario between the 1970s and 1980s. When policies changed and programs were discontinued, the nation saw a decline in purpose-built rental development as shown in Figure 2.



To increase housing supply, we encourage senior levels of government to reintroduce similar programs to bring more rental housing online. A strong and diverse rental housing supply makes our communities attractive to living and working locally, and provides housing options for people of all ages and in different life stages.

Theme 4 - Rent

The Province should consider changes to the Rent Increase Guideline to better reflect landlord costs and maintain the existing supply of rental housing

Currently, the Rent Increase Guideline is based on the Ontario Consumer Price Index, which measures the change in price of all goods and services. As an alternative, the Province should return to a weighted calculation of the Rent Increase Guideline that applies only the relevant sub-measures of the Consumer Price Index such as the insurance and utilities indices, to typical operating costs. An industry working group should inform the development of the updated weighting. The Province should also eliminate the two per cent rent increase maximum in years when actual costs increase to a greater degree. Instead, the Province should increase the renter's tax credit inline with the Rent Increase Guideline. We also urge the Province to consider

effective rent controls similar to those used in other jurisdictions such as the Republic of Ireland where rent controls are utilized when needed and are applied to areas with low vacancy rates.

The Province should develop resources and policies to inform and protect landlords and tenants

The Province, in consultation with stakeholders, should develop a Renters Guide to inform and educate landlords and tenants on their roles and responsibilities, provide tips for resolving issues, and include contacts for support services. The target audience should include actors in both the primary and secondary rental markets. This resource guide can also raise awareness on housing needs of marginalized groups and educate housing providers and tenants on their rights and responsibilities under the *Residential Tenancies Act, 2006* and the Human Rights Code.

The Province should introduce a policy that regulates unauthorized subletting of a dwelling and provides subletting households with better tenant protections. Currently, tenants that are subletting a dwelling without the landlord's agreement have limited protections under the *Residential Tenancies Act, 2006*. Subletting households are often the most vulnerable with limited financial resources and housing options.

Updates to the Ontario Building Code should include rough-in, framing and access requirements to encourage the creation of legal second suites

Secondary suites contribute to the supply of housing by optimizing use of the existing housing stock and infrastructure offering more affordable housing options. To encourage new homeowners to create legal second suites, the Province should consider changes to the Ontario Building Code. These changes may include requirements for bathroom and kitchen sink rough-ins where second suites can locate in a new home, and installation of flexible framing and safe access to facilitate adaptive housing designs.

The Province can employ financial incentives, and education and awareness strategies to stimulate the creation of second suites in existing and new residential development

Currently, the *Development Charges Act* provides a statutory exemption for the creation of a secondary suite in an existing property (subject to certain restrictions). This exemption applies to all types of residential buildings and can exempt up to a maximum of two additional units (for a single detached dwelling). The *Promoting Affordable Housing Act, 2016* (also known as Bill 7) amended subsection 2(3) of the *Development Charges Act* by adding an additional development charge exemption for the creation of a second dwelling unit in prescribed classes of proposed new residential buildings, subject to restrictions prescribed in regulations. The Province has yet to provide the enabling regulations. Staff encourage the Province to release enabling regulations to implement this change.

The Province should also partner with municipalities to encourage and educate homeowners on the benefits of converting un-used spaces into second suites. One of the key deliverables can

be a comprehensive resource guide to assist municipalities in delivering education and training for homeowners interested in creating second suites. The Province can also work with municipalities to streamline processes for creating and registering second suites in their jurisdictions.

The Province should continue to work with the Federal Government to implement the Bilateral Agreement under the National Housing Strategy

The National Housing Strategy contains several important initiatives designed to support development of new rental housing by private and non-profit developers, as well as programs to maintain the existing rental supply. Additional programs, such as the Canada Housing Benefit, will support York Region in achieving its housing priorities as defined in our 10-year Housing and Homelessness Plan. The Region looks forward to working with the Province and the Federal government on implementing the Bilateral Agreement to create housing options that meet the needs of our residents.

In addition to the market housing supply discussion and given the lack of rental housing in the Region, staff offer the following comments related to subsidized housing which contributes to the Region's overall housing supply.

Modernized subsidized housing legislation enables housing providers to serve tenants and members more effectively and efficiently

Through partnerships with community non-profit and co-operative housing providers, York Region provides affordable homes to more than 6,700 households. The social and affordable housing portfolio is a vital part of overall rental housing stock. The Region asks that the Province continue its work on modernizing the *Housing Services Act, 2011*, including introducing simplified rules for delivering rent-geared-to-income subsidies and flexibility on how the Region manages the centralized wait list. Housing providers also need flexibility to leverage funding opportunities available under the National Housing Strategy, including the Co-Investment Fund. These changes would help to preserve and optimize the existing social and affordable housing portfolio.

The *Residential Tenancies Act, 2006* and Ontario Regulation 516/06 contain a number of exemptions to support legacy social housing providers under the *Housing Services Act, 2011* in delivering rent subsidies. These include exemptions from requiring tenants to sublet, rent increase guidelines and timing around when rent increases can take place. The exemptions only apply to projects with original operating agreements. Clarity is needed on what happens to exemptions when the agreements expire. Further, the Province should consider expanding the *Residential Tenancies Act, 2006* exemptions to all social and affordable housing programs, not just projects with operating agreements. This will improve delivery of subsidy programs by housing providers after their operating agreements expire.

Theme 5 - Innovation

The Province should explore innovative housing tenure, design, construction techniques and programs to meet the housing needs of all life stages with industry and municipal partners

Alternative housing tenure arrangements such as life leases, co-housing and collaborative housing can increase affordable housing supply and options for individuals and families. The Province should provide infrastructure funding for these housing options, including rental, affordable retirement homes and secondary suites. The Province should also explore incentives to promote these alternate tenure forms and examine the opportunity for home share programs and accredited reverse mortgage programs to improve access to housing.

Intergenerational campuses should be considered as a viable community development model for bringing housing, services and meeting spaces to residents of all ages. Modular construction techniques and other options available to the development industry can reduce construction cost. Innovative housing design such as flexible housing, tiny homes and laneway housing are adaptable to the changing needs of residents. Staff encourage the Province to explore mechanisms that will promote the development of innovative housing forms to increase affordable housing supply.

The Province should introduce legislation to protect homebuyers from development project cancellation

In light of the cancellation of housing projects in the GTHA, the Province should explore mechanisms to reduce the risk homebuyers would bear in the event of a cancelled project. Legislation should be introduced to prevent the sales of unbuilt residential units unless key approvals are obtained, and servicing capacity and financing have been secured. The Province can empower municipalities to issue penalties to developers that fail to meet pre-defined requirements before selling unbuilt residential product to purchasers.

The Province should partner with the development industry to introduce or expand financial programs to increase home ownership

A number of developer-led homeownership financing models are helping Ontarians become homeowners. These include rent to own programs, second mortgage options for affordable units, and interest-free down payment assistance programs. The Province should partner with developers to promote existing programs, offering support and facilitating knowledge sharing among developers interested in pursuing similar models or programs.



MFOA Technical Response to: Increasing Housing Supply in Ontario, A Consultation Document

Municipal Finance Officers' Association

January 2019

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I. Introduction

The Municipal Finance Officers' Association of Ontario (MFOA), established in 1989, is the professional association of municipal finance officers. We represent more than 2300 individuals who are responsible for handling the financial affairs of municipalities and who are key advisors to councils on matters of finance policy.

MFOA promotes the interests of our members in carrying out their statutory and other financial responsibilities through advocacy, information sharing, networking opportunities, and through the promotion of fiscal sustainability. We also provide members with training and education to enable continuous professional development and to support excellence in municipal finance.

In December of 2018 the Province issued a discussion paper on housing supply entitled: *Increasing Housing Supply in Ontario*.¹ This document is a foundational piece supporting a broad consultation in the Province to address housing supply and related issues of affordability to ensure that Ontario has the right housing in the right places with the necessary infrastructure. The results of the consultation will shape a Housing Supply Action Plan, which will address barriers to new ownership and rental housing in Ontario.

This paper sets out MFOA's views on the important issues and questions raised in the consultation document as well as some that were not. We very much appreciate the opportunity to provide our perspectives and look forward to working with the Province on solutions that will build strong vibrant communities.

II. Principles and Prior Positions

MFOA has previously taken a position and made recommendations to the Province on some of the issues raised in the consultation paper. For some of the other issues, we have not. Either way, we believe that policy recommendations should be anchored in principles that are explicitly set out for the Province as well as our members. The remainder of this section sets out our principles and, in some cases, previously stated positions, in the following areas:

- Complete Communities
- Autonomy
- Financing
 - Social and Affordable Housing
 - Infrastructure Financing
- Policy Approach

¹ This document, and a supporting presentation, is available at <http://www.ontario.ca/housingsupply>.

II.i. Complete Communities

MFOA supports the creation of complete, strong and vibrant communities. Such communities require a “range and mix of housing options, including secondary units and affordable housing, to serve all sizes, incomes and ages of households.”² Complete communities require employment opportunities and a significant array of municipal infrastructure to service residents and businesses. The importance of complete communities that support healthy and active living in municipalities is noted in the provincial growth plan and in the federal government’s recent National Housing Strategy.³

II.ii. Municipal Autonomy

The Province’s discussion paper rightly notes that there is a delicate balancing act in the housing market and in setting and implementing housing policy. A multitude of governmental approvals are required for new housing to come on stream. As noted in the consultation document:

The various regulatory requirements and approvals were established to serve specific public interests, policy objectives or government goals. For example, rules and processes exist to ensure the health and safety of residents, protect environmentally and culturally sensitive areas, and support economic development and a vibrant agricultural sector. Efforts to streamline these requirements need to balance these multiple goals.⁴

Municipal approval of building permits, severances, subdivision agreements and a variety of other planning applications are vital tools for municipalities to ensure that communities develop in ways that promote sound planning principles and produce vibrant, sustainable and complete communities. While MFOA supports efforts from all levels of government and developers for greater coordination and streamlining of approvals, we do not support reducing or eliminating municipal approval powers with respect to development or restrictions on revenue raising capacity to finance housing and infrastructure. Municipalities must have the powers and tools to ensure sound development and growth in their own communities.

II.iii. Municipal Finance

Housing affects municipal finance in a number of ways. For example, some municipalities incur significant capital and operating costs as direct providers of social and affordable housing infrastructure. Ontario is the only province where municipalities have significant social housing responsibilities and costs. Indirect costs are also incurred for a range of supportive services for many social housing

² Ontario, Growth [Plan for the Greater Golden Horseshoe](#), May 2017, p. 6

³ Ontario, [Growth Plan for the Greater Golden Horseshoe](#), May 2017, p. 5. See also Canada, [National Housing Strategy: A Place to Call Home](#), 2017, p. 5.

⁴ Ontario, [Increasing Housing Supply in Ontario](#), December 2018, p. 3

residents. In addition, municipalities provide a range of infrastructure which is needed to support housing and businesses. The municipal finance implications of social housing and infrastructure are expanded on below.

Social Housing

As direct providers of social housing, “municipalities contribute more than \$1.2 billion to social housing every year, which is more than federal and provincial housing funding combined.”⁵ The level of municipal contribution to social housing was also noted in the 2017 Annual Report of the Ontario Auditor General.⁶ The numerous issues related to social housing are beyond the scope of this consultation; however, consistent with our support of “complete communities”, we would urge that social and affordable housing remain a strong focus of housing policy. We are encouraged by the emphasis social and affordable housing issues have received under the federal housing strategy, and we support continued efforts to ensure that all Ontarians have adequate housing. As a starting principle we agree with AMO’s (Association of Municipalities of Ontario) position that, “with respect to social and affordable housing, senior governments must commit to ‘dedicated, permanent, predictable and sustainable funding’”.⁷ Municipalities do not have the financial resources to carry the burden of social and affordable housing costs alone.

Municipal Infrastructure

Municipalities also provide infrastructure that supports housing and employment in Ontario communities. MFOA promotes financial sustainability and long-term financial planning. This includes, among other things, strong support for asset management planning since local governments provide services through a very substantial range of assets that include water and waste water facilities, recreation centers, libraries, roads, transit, police and EMS infrastructure, to name a few. An important tool that contributes to long-term planning and sustainability is the *Development Charges Act, 1997*, which permits the partial recovery of growth-related capital costs. The significance of this tool will be discussed further.

II.iv. Policy Approach

The Province’s consultation paper is a wide-ranging document that touches on a number of complex policy issues including multi-level approvals, development

⁵ Association of Municipalities of Ontario, [Housing in Ontario: A Primer for AMO Members](#), January 2017.

⁶ The Auditor General found that about \$1.35 billion has been spent annually over the past five years to support social housing in Ontario. This money is provided by the federal (29%) and municipal (service manager) governments (70%); the Province only contributes about 1% toward social housing costs, most of which relates to Indigenous social housing in Northern Ontario. Auditor General, [2017 Annual Report: Social and Affordable Housing](#), 2017, p. 710.

⁷ Association of Municipalities of Ontario, [National Housing Strategy: Submission to the Government of Canada](#), 2061, p. 7.

mix, the impact of provincial policies on land supply and housing costs, government charges on development and several more. We feel that the policy changes that the Province opts for in its Housing Supply Action Plan need to be mutually supportive of each other. It is counterproductive to initiate reforms that solve one problem but exacerbate another. Our main concern is that any attempt to address housing affordability by restricting municipal use of development charges (DCs) will only make it more difficult for municipalities to emplace the needed capital works to support housing. Restrictions on DCs can, and will, have major implications for housing supply if the required infrastructure cannot be emplaced. Further, it is important for policy changes to recognize the critical roles played by each of the main parties to development – the Province, the municipality, and the developer. A comprehensive approach involving all three levels of government and key stakeholders is needed to ensure that municipalities can fund the infrastructure our communities require.

Prior MFOA Positions on Development Charges

The first *Development Charges Act* (DCA) in Ontario came into force in 1989. It set out rules to enable municipalities to collect growth-related capital costs created from new development. The Act did not permit the recovery of operating costs, rehabilitation or replacement costs for assets. This legislation was very broad and allowed municipalities to recover 100% of growth-related capital costs.

The Act was amended in 1997, and a number of provisions were introduced that resulted in lower levels of cost recovery for municipalities, which significantly shifted growth-related costs from the development that created the costs to existing property tax and ratepayers.

In 2016, the Province conducted a review of the DCA. At that time, MFOA's position regarding DCs was that:

- Growth should pay for growth;
- There should be no ineligible services under the DCA;
- There should be no service “discounts”;
- Service levels should be forward looking and not based on historic service averages.

MFOA continues to support these positions.

MFOA has observed continuous pressure to expand mandatory exemptions from DCs to promote a variety of planning objectives. MFOA has argued that the DCA is a blunt policy tool to achieve these goals when compared to various planning tools. In addition to the position on DCs noted above, MFOA also recommends no new mandatory exemptions for DCs. Municipalities already have flexibility to make DC exemptions and some do for various reasons. However, exemptions merely reduce revenues, not growth-related costs. Exemptions must be funded

from existing taxpayers. Municipalities are best positioned to know if this is affordable and desirable in their jurisdiction.

III. Consultation Themes

The Province's December 2018 discussion paper on housing supply presented five broadly themed barriers to new housing supply: speed, mix, cost, rent, and innovation. For each theme, a number of issues and questions were raised, which we have responded to in the subsequent thematic sections. The discussion questions posed by the province are presented in bold.

III. i. Speed

The consultation document notes that in Ontario, multiple approvals of varying types are required under a myriad of statutes and by-laws from several levels of government. The complexity, uncertainty and length of these processes have been identified as a problem that increases costs for developers, builders and homebuyers.

A single housing project may require approvals from many of these entities. Duplication, lack of coordination and delays add burden to the development process and increase costs for builders and homebuyers. Potential appeals of these decisions can add further delays and uncertainty.⁸

We agree that the various approvals processes can be time consuming, difficult to navigate and involve significant compliance costs.

The development approval process in Ontario was complex and lengthy prior to the 2005 Planning Act and the 2006 Growth Plan changes requiring additional process. It now generally requires 8-10 years to complete the initial stages of policy and development planning prior to the first building permits emerging on vacant land in new communities. Beyond this initial timeframe, communities can take 15-20 years or longer to be fully built out as municipalities require time to process development applications and integrate growth with the delivery of community infrastructure (e.g. schools, parks, community centres).⁹

A recent study of the building permit approval process found similar problems with long approval times that appear to be more protracted than other parts of Canada and other cities in the world.

⁸ Ontario, [Increasing Housing Supply in Ontario](#), 2018, p. 3

⁹ Malone Given Parsons, [Greater Toronto & Hamilton Area, Simcoe County, Barrie and Orillia Land Supply Analysis](#), November 2018, p. 4

These unnecessary delays in approval have significant impacts. A Fraser Institute report that examined building regulatory regimes in different Canadian communities found that every 6-month delay in approvals reduces growth in new housing supply by 3.7%. This is not just a delay in approvals but it also results in a reduction of new supply. Additional reductions in housing supply growth occur when there is considerable uncertainty regarding approval timeframes which is another feature of Ontario's building approval process.¹⁰

In late 2017, the Province hosted a roundtable to discuss the development approvals process and to develop actionable recommendations for streamlining.¹¹ Several of the recommendations that came out of the roundtable were captured in Ontario's Fair Housing Plan.¹² A number of additional recommendations have since been submitted to the Province by the Residential Construction Council of Ontario.¹³ These exercises contain a number of useful suggestions for streamlining approvals processes without sacrificing the rigorous review needed to ensure adherence to planning principles, the public interest, public safety and other vital public sector priorities. Governments (federal, provincial, municipal), the development industry and other key stakeholders will have to work together to achieve streamlined processes that continue to protect homeowners and residents.

MFOA supports efforts to streamline development approvals processes. However, changes to development approvals processes must be made with the agreement of municipal planning staff and building officials to ensure that municipalities retain the authority to ensure that develop plans conform to local standards.

We are of the view that the issues related to the speed of development approvals need to be viewed more broadly. Development approval timelines **are** overly lengthy, but so too are various infrastructure approvals that municipalities must obtain due to the current provincial legislative framework. For example, environmental assessment processes can take significant lengths of time. In cases where approvals are required for critical infrastructure, such as water or wastewater services, the lack of an approval, or a delay of an approval, can bring development to a virtual halt with obvious housing supply implications.¹⁴

¹⁰ Amborski, David and Duong, Lynn, Centre for Urban Research and Land Development, [Modernizing Building Approvals in Ontario: Catching Up with Advanced Jurisdictions](#), July 2017, p. 2

¹¹ Ontario, [Development Approval Roundtable: Action Plan](#), November, 2017

¹² Ontario, [Ontario's Fair Housing Plan](#), April 20, 2017

¹³ Residential Construction Council of Ontario, [Streamlining the Development and Building Approvals Process in Ontario](#), July 2018

¹⁴ Dave Wilkes, BILD, Toronto Star, July 21, 2018. This article mentions the Upper York Sewage system that has been almost a decade in the planning and approvals process and has yet to be built.

Actions of the development community can also lengthen the development approvals process period. Developers need to reflect on and review how their activities contribute to the issue. For example, developers do not uniformly submit completed applications. This requires municipal staff to spend additional resources on select applications. Developers may also engage in a hurry up and wait approach to the approvals process. Developers are highly engaged at the beginning of the process, but then wait to develop until such a time as they deem the market ready for investment. The length of the process could be misleading due to uneven engagement through the approvals process period.

Development approvals should, therefore, not only be faster, but they should also be “smarter.” Ontario has been committed to smart growth principles for many years and these principles can be found in numerous provincial planning statements and documents. It nevertheless remains the case that sometimes development and infrastructure placement are not well aligned. This issue will be addressed more fully in the following sections on mix and cost.

How can we streamline development approval processes, while balancing competing interests and the broader public interest?

Process re-engineering with respect to development approvals should only be made through collaborative exercises that ensure all views are heard. Top down changes that do not include municipal planning, building, and/or other municipal officials risk significant implementation challenges and, more importantly, risk departing from sound and accepted planning principles and locally determined planning priorities.

III. ii. Mix

The provincial discussion paper raises a number of issues related to housing mix that have been identified by various stakeholders in recent years. These include problems related to housing types, housing location and local amenities to support housing (e.g. schools, transit, workplaces). The complex interaction of housing markets, provincial policies, local planning priorities and a myriad of other factors all play a part in determining the location and types of housing and the types and location of public infrastructure to service the development.

How can we make the planning and development system more effective to build the kind of housing people want, and can afford, in the right places with the right supports (e.g. school, transit and other amenities)?

This single question touches on a number of important points, including:

- Make planning and development more effective
- Building housing that:
 - people want (matching housing types with housing needs)

- is affordable
- is in the right places
- has the right supports (public infrastructure)

Planning and development system that is more effective

Ontario has complex and lengthy approval processes that, in many cases, also have mechanisms to appeal decisions that have been publicly made, which in turn have their own lengthy and expensive processes. Several observers have noted that these processes have become more complex as efforts are made to incentivize certain types of development through the provincial growth plan.

Unfortunately, it is unlikely that any attempts to streamline complex processes, while ensuring protections for key stakeholders and governments, will result in short-term solutions to housing supply issues or price challenges faced by many in Ontario. The fact that these solutions probably have significant lead times is not, of course, a reason to avoid making improvements in the way that developments are approved and built. We would caution against quick fixes that might seem to make the development process more effective but actually run the risk of unintended consequences and create new problems or exacerbate existing ones. Ontario municipalities are incredibly diverse in terms of geography, population, and economy. A fix geared to a growing urban environment may not be relevant for a rural community with a declining population. One size does not fit all.

Rural Communities

Affordable housing issues in urban municipalities in the GTHA currently receive the lion's share of media attention. This is likely due to staggering jumps in house prices over the last ten years. Less attention is paid to the issues faced by smaller, more rural communities where house prices as well as household incomes are often lower. Housing in rural communities is also disproportionately impacted by factors outside of municipal control, such as the closing of the main local employer.¹⁵

These rural communities often face different obstacles when trying to attract a mix of housing that meets the needs of their residents. Many of these obstacles are related to geography.¹⁶

These factors include a low population density that restricts transportation options, limited access to contractors and poor housing conditions. Additionally, the low income of rural residents also puts them at a disadvantage in finding suitable accommodations in the event of resort or retirement development and the subsequent inward migration of urban

¹⁵ Paddison, Laura, "[America's Affordable Housing Crisis isn't Just Hitting Cities](#)", Huffington Post, October 2, 2018.

¹⁶ Rural Ontario Institute, [Under Pressure: Affordable Housing in Rural Ontario](#), December 2009.

residents that raises housing prices through increased demand for accommodations.¹⁷

Rural housing mix also includes types of shelters not seen in urban environments, such as mobile homes and trailer parks. Some of these shelters are unlikely to benefit from repair and rehabilitation further exasperating the affordability crisis.¹⁸

Provincial policies should consider these differences when formulating strategies.

Urban Communities

Matching housing types with housing needs

It is often suggested that in recent years new housing developments in the GTHA have either been “tall” or “sprawl.” In other words, there is a “missing middle” of housing types, which includes rowhouses, town-houses, walk-up apartments and low to mid-rise buildings. The term describes housing types that fall somewhere between high rise apartments/condos and single-family homes.

The majority of new housing built and under construction is either “tall”—one-bedroom condos at high density nodes—or “sprawl”—single-family homes at increasingly distant locations on the urban fringe. This has left households with little choice in the housing market. The options are a small condo in a high-rise tower close to amenities and transit, or a single-family home not served by either transit or amenities and requiring a long commute.¹⁹

A case study of Mississauga conducted by the Ryerson City Building Institute found that the potential for adding “missing middle” housing in Mississauga was significant and that such housing reduces land consumption, makes more efficient use of infrastructure and offers housing that focuses on middle income families. In 2017, Mississauga identified a number of initiatives to encourage a broader range of “missing middle” housing. The recommendations taken together are ambitious, but the benefits will be significant if successful.²⁰

The case of Mississauga and others suggests that a full range of housing is the result of a deliberate and coordinated focus to ensure that housing types are built for households of all incomes. Coordination means that various departments in

¹⁷ Rural Ontario Institute, [Under Pressure: Affordable Housing in Rural Ontario](#), December 2009, p. 4.

¹⁸ Waegemakers Schiff, J., Schiff, R., Turner, A., & Bernard, K. (2015). [Rural homelessness in Canada: Directions for planning and research](#). The Journal of Rural and Community Development, 10(4), 85-106.

¹⁹ Ryerson City Building Institute, [Finding the Missing Middle in the GTHA: An Intensification Case Study of Mississauga](#), October 2018, p. 1

²⁰ City of Mississauga, [Making Room for the Middle: A Housing Strategy for Mississauga](#), 2017.

municipalities need to work together (e.g. planning, public works, finance) and work with the development industry as well as various advocacy groups. Getting a range of housing that is affordable and in the right places doesn't just happen; it happens when builders, planners and others work together to make it happen.

Building housing in the right places

A variety of studies have suggested that development does not always occur in the right places to permit it to be fully supported by public infrastructure.

Major investments to transportation infrastructure have been made since the release of the first Growth Plan in 2006. However, much of the Designated Greenfield Areas are not proximal to existing or planned higher-order transit. This has resulted, in some cases, development being limited due to the lack of sufficient transportation capacity in the surrounding network.²¹

A study by Neptis Foundation that compared development in Vancouver to the GTA found that:

Growth in the GTHA is going mainly to areas without transit, and outside Urban Growth Centres: Only 18% of net new residents were located in areas within easy walking distance of frequent transit (corridors with transit service every 15 minutes or less), while the areas around GO stations accommodated 10% of the region's net new population. Urban Growth Centres identified in the Growth Plan for the Greater Golden Horseshoe, which are supposed to accommodate significantly higher amounts of intensification, accounted for only 13% of net new residents across the region.²²

It is obviously important to have an array of housing types to accommodate the range of housing demand by income, demographic groups as well as those requiring assisted living arrangements or other supports. However, it is also important that development occur in areas where needed infrastructure is in place. Similar to the previous point, in urban settings, ensuring that development complements the location of existing municipal and other public sector infrastructure is often about actively searching for intensification opportunities that will offer a range of housing that goes beyond condominium towers.

²¹ Malone Given Parsons, [Greater Toronto & Hamilton Area, Simcoe County, Barrie and Orillia Land Supply Analysis](#), November 2018, p. 4

²² Neptis Foundation, [Misalignment of growth and infrastructure means Growing Pains for the GTHA](#), May 2015

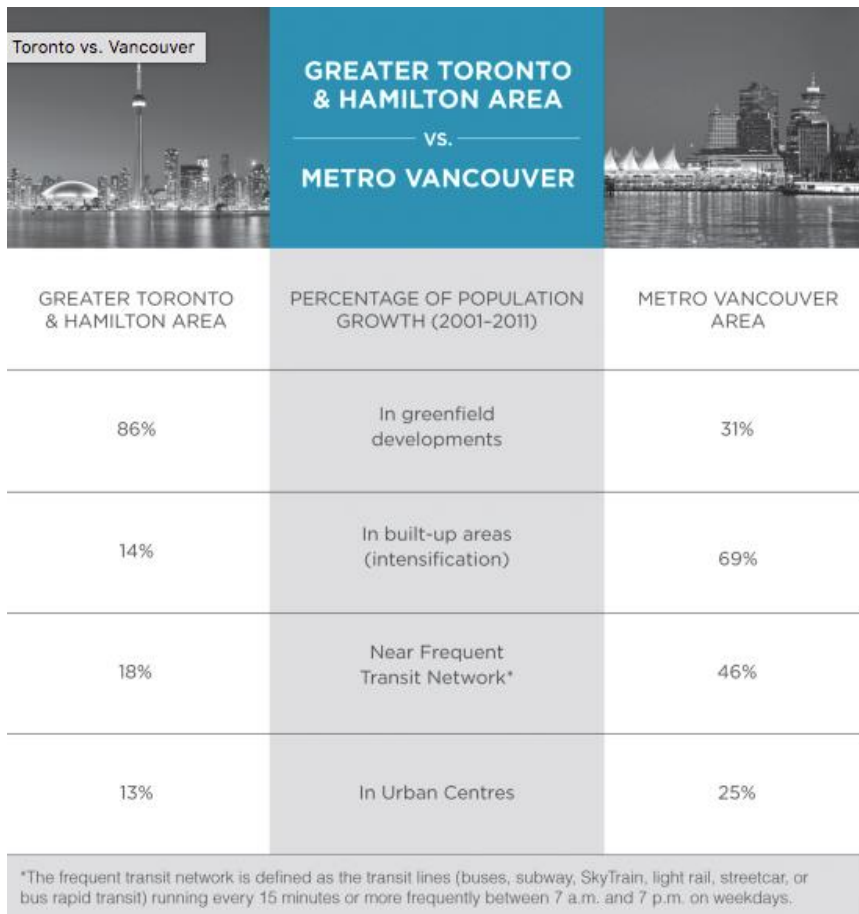


Figure 1: Location of new development, GTHA and Metro Vancouver compared (Neptis Foundation, 2015)

Housing affordability

Housing affordability is, in part, the result of a number of supply and demand considerations. As noted by the Fraser Institute, when explaining house prices it is:

...unwise to focus on any single element of housing demand when trying to explain rapid price growth. Rather, it helps to remember the fundamentals, which include population growth, income growth, housing supply and—of course—interest rates.²³

Numerous macro-economic factors are relevant in any discussion of housing affordability, though they are not the focus of the Province's discussion paper. For example, a number of observers have noted that incomes of millennials have remained stagnant, notwithstanding higher levels of education than earlier generations of the same age. Others have expressed concerns that rising

²³ Josef Filipowicz, "[When explaining home prices, the fundamentals matter](#)," in Fraser Forum, December 21, 2018.

interest rates will negatively impact housing affordability. Many of these factors are beyond the control of municipalities or even the Province (e.g. interest rates).

Supportive public infrastructure to service housing and its occupants

Most public infrastructure in Ontario is owned and operated by municipalities.²⁴ Municipalities face significant challenges to fund emerging asset management plans to maintain it in a state of good repair.²⁵ In addition, municipalities in high growth areas, such as the GTHA, face the financial challenges of providing growth-related infrastructure to service new populations and developments. Development charges have been a vital revenue tool to enable municipalities to finance this growth-related capital work. Any attempts to reduce DCs to make housing more affordable will NOT reduce housing prices but WILL mean that municipalities will be less able to emplace requisite infrastructure to accommodate growth.

How can we bring new types of housing to existing neighbourhoods while maintaining the qualities that make these communities desirable places to live?

Notwithstanding numerous economic considerations (e.g. incomes, interest rates, supply, demographics, etc.), the provision of affordable housing can be enhanced when it is made a priority of governments, including municipalities, as well as developers and builders. New approaches such as inclusionary zoning and efforts to locate “missing middle” housing near existing infrastructure result in an array of housing choices at a variety of prices than would occur when such a focus is absent.²⁶ Additionally, builders and planners can look to underutilized sites and surplus properties in existing developed areas, or explore the potential of permitting accessory dwelling units.²⁷ These approaches often result in changes to approvals processes and thinking differently about providing housing for all income levels. The policy changes required to facilitate this may differ from place to place but without a change in culture or thinking about development of complete communities, we will not get the type of housing needed in the places that it is needed. In short, affordable housing needs to be established as a primary planning goal in the GTHA.²⁸

²⁴ Francine Roy, [From Roads to Rinks: Government Spending on Infrastructure in Canada, 1961 to 2005](#), Statistics Canada, 2008; A more recent citation: [Statistics Canada, Canada's Core Public Infrastructure Survey: Roads, bridges and tunnels, 2016](#)

²⁵ [Canadian Infrastructure Report Card](#), 2016

²⁶ Clayton, Frank; Schwartz, Geoff, [Is Inclusionary Zoning a Needed Tool for Providing Affordable Housing in the Greater Golden Horseshoe?](#), Ryerson University, 2015

²⁷ McKinsey & Company, Housing affordability: A supply-side tool kit for cities, McKinsey Global Institute, 2017.

²⁸ Amborski, David; Clayton, Frank, [The Need to Make Housing Affordability a Primary Goal in Regional Planning for the Greater Golden Horseshoe](#), Centre for Urban Research and Land Development, 2016.

We think there are also parallels between asset management with respect to affordable and “missing middle” housing. Successful asset management planning requires input from all departments in a municipality and it needs to be viewed as a priority by council and senior management. In short, asset management often involves new ways of thinking about assets (e.g. life cycle costs, asset procurement, new technologies, etc.). Municipalities that are actively pursuing these types of options are re-engineering approaches to planning processes, approvals, capital planning etc. Processes that are better informed by planning, public works and finance considerations will yield better results with respect to having a full range of housing options located in the right places where they are supported by needed infrastructure. MFOA has played a leading role in promoting asset management planning at the municipal level in Ontario.

How can we balance the need for more housing and the need for employment and industrial lands?

Building “missing middle” housing can have the benefit of reducing land consumption for housing. Building housing that makes better use of existing infrastructure by locating it near growth nodes and existing development can also contribute to a more efficient use of lands. These policies can help strike a balance between residential lands and employment and industrial lands.

Designating employment and industrial lands does not, of course, guarantee that employment will be created. A recent study of “complete communities” in the Greater Golden Horseshoe found a very uneven record of job creation among municipalities.²⁹ “Complete communities” have a robust mix of residential and employment uses where “people can live, work, shop and play locally without having to rely on automobile use.”³⁰ The study concludes that:

If employment growth continues to concentrate in a few municipalities (Toronto especially), but residential growth continues to be more widely dispersed, it becomes much more challenging for municipalities outside of Toronto, and especially in the Outer Ring, to attract adequate employment to ensure a local mix of uses.³¹

In other words, employment in the GGH has not occurred as projected in the Growth Plan and has not been distributed in a way that supports complete communities. The study does not offer explanations for the distribution of employment, but it does suggest that the employment objectives in the growth plan be revisited. Efforts should be devoted to understanding what types of policies might be needed to achieve a more even distribution of employment growth in the Greater Golden Horseshoe.

²⁹ Complete communities are an explicit objective of the Ontario Growth Plan.

³¹ Ibid., p. 8

III.iii. Cost

The provincial discussion paper identifies a number of issues that stakeholders have brought forward to government around the scarcity of serviced land and its impact on housing prices as well as the economic viability of development.

A claim is made in the discussion paper that development costs in Ontario are too high because of high land prices and government imposed-fees and charges. Development charges, in particular, are identified as a charge that increases the costs of serviced land and housing.³² This is a significant concern for us, as noted several times in previous sections, and our view is that this claim is based on inaccurate assumptions. DCs represent approximately 5-7% of the price of a new single-family home in the GTA and Ottawa. A recent study by the Royal Bank and Pembina Institute that examined the factors affecting home prices in the GTA concluded that, with respect to DCs, “the increase in these charges accounts for only a small fraction of the increase in home prices.”³³

How can we lower the cost of developing new housing while ensuring that funds are available for growth-related infrastructure (e.g. water and sewer systems, fire and police services, roads and transit)?

It has been suggested that lowering DCs would make housing more affordable.³⁴ MFOA is of the view that reducing DCs will **not** lower housing prices nor increase land supply. Reducing DCs may actually result in complexities that could further exacerbate housing issues and create problems for municipal finance. MFOA is of the view that reducing DCs would be:

- Counterproductive:
 - Reducing or further restricting development charges would reduce supply, not increase it. Less funding from DCs means more competition for projects from other demands on property taxes and municipal revenue streams. Unless a priority, municipalities may not have the funds available to put the infrastructure in place needed for development to occur in a timely way.
- Inefficient
 - We are not aware of any evidence that shows reductions in DCs being passed directly to homebuyers through drops in house prices.

³² See a report prepared by the Altus Group for BILD, [Government Charges and Fees on New Homes in the Greater Toronto Area](#), April 2018.

³³ Cherise Burda, *Priced Out: Understanding the factors affecting home prices in the GTA*, Royal Bank of Canada and the Pembina Institute, November 2013, p. 15

³⁴ Ibid.

- Ineffective
 - Taxpayers and ratepayers would have to cover funds for infrastructure not recovered through DCs. This would result in higher property taxes and utility rates for municipalities with new development and create a disincentive for residents to support new housing.
- Expensive
 - Reducing DCs does not decrease the cost of growth-related infrastructure. Instead it transfers the cost to existing homeowners, which includes low income families and seniors. Significant increases in the whole cost of housing would be unaffordable for many.

Development charges are not a root cause of the affordable housing and supply challenge. As noted above, they represent approximately 5-7 percent of the price of a new single-family home in the GTA and Ottawa. This share has been relatively stable for many years.

The construction of every new house, especially in high growth areas, comes with a direct cost for serviced land and the community facilities demanded by homeowners (e.g. parks, libraries, recreation facilities). Reducing DCs does not reduce the need for the growth-related works. It merely reduces municipal revenues to pay for them and shifts costs to existing taxpayers and ratepayers. Additionally, reducing the development charge does **not** guarantee lower house prices. If more municipal operating revenues are needed to cover the cost of growth, it will be at the expense of maintaining existing capital assets, services, or current property tax rates. Shortchanging the public services Ontarians depend on is no way to build the communities people want to live in. Development charges are the right tool to fund the services and growth Ontarians depend on.

It has also been suggested that DCs should not be used to recover growth-related capital costs associated with water and waste-water infrastructure.³⁵ Reducing DCs for key services such as water and waste-water will reduce a municipality's ability to finance these works and will reduce the supply of serviced land. Other issues related to this approach include:

- It is unfair to existing homeowners and businesses, as they would see very large increases in their water rates to pay for infrastructure that does not benefit them. Municipalities, such as the City of Markham, have forecast significant utility rate and property tax hikes in a future without

³⁵ Dachis, Benjamin, [Hosing Homebuyers: Why Cities Should Not Pay For Water and Wastewater Infrastructure with Development Charges](#), C. D. Howe Institute, August, 2018

- DCs, while the Region of Peel forecast huge increases in their top five business water accounts if water and wastewater DCs are eliminated.
- Municipal governments' efforts to properly fund their asset management plans would likely be compromised. The rate increases necessary for both growth and asset management would likely be unacceptable.
 - Opposition to growth may increase as homeowners become aware that growth is causing increases in their water rates.
 - There would be significant transitional issues as many municipalities have debt that is funded by future development charge revenue.
 - Higher water rates would reduce affordability for lower income residents.

Rural Communities

In addition, it is important not to lose sight of the specific housing cost challenges faced by rural and northern communities in Ontario. Costs can be higher in more rural communities due to:

- Less existing transportation infrastructure,
- Fewer economies of scale,
- Longer distances travelled by materials and professionals,
- Shorter construction seasons (in the North),
- Fewer suppliers,
- More complex geographies,
- Bigger economic swings due to less diversified economies, and
- Smaller populations.³⁶

Many of these challenges can increase the costs of development, as well as create obstacles for the construction of growth-related infrastructure.

III.iv. Rent

The discussion document identifies a number of issues the government has heard about rental housing and landlord/tenant relations. For example:

- There is a shortage of affordable rental housing, especially in northern and rural communities;
- Some small landlords claim that requirements on landlords under the *Residential Tenancies Act, 2006* are onerous; and
- Creating new legal secondary units in existing dwellings is difficult because of Building Code requirements and local by-laws.

As noted above in Section II, MFOA supports full communities with a full range of housing options that are affordable as well as communities that provide

³⁶ Woodrow, Maureen, [Challenges to Sustainability in Northern Ontario](#), Environmental Commissioner of Ontario, May, 2002.

employment and supportive public infrastructure and services to serve diverse communities in Ontario. This includes adequate rental housing choices for individuals, couples and families in all parts of Ontario.

We recognize, however, the additional difficulties in getting rental housing into northern and rural communities. Barriers include the difficulty for developers to find financing for rental housing, the smaller size of development coupled with the complexity of financing arrangements, the limited number of specialist developers in rural communities, and the availability of water/wastewater systems with needed capacity.³⁷

How can we make the current system work better for landlords?

Being a landlord is a complex undertaking that requires expertise in a wide range of skills including an understanding of:

- Statutory obligations and municipal by-laws
- Landlord Tenant Board procedures and documents
- Insurance
- Accounting
- Property management and maintenance
- Relationship management, including tenant communications strategies with tenants who might have challenges paying rent or meeting other obligations
- Dispute resolution mechanisms

In addition to these and other skills, landlords work in a changing environment. For example, the legalization of cannabis and changing provisions related to rent controls in Ontario are just two recent examples of challenges with which landlords, and tenants, will have to adjust.

The current system can be made to work better for landlords through a system of landlord education. Large landlords are likely well organized and resourced to undertake the various activities noted above. However, smaller landlords might benefit from services designed to educate and provide best practices on the range of issues landlords and their tenants face. There are organizations that already provide resources and education for landlords.

What additional protections should be provided for tenants?

We are aware of a number of recent initiatives to enhance protections for tenants. For example, easy to understand leases for landlords of most private

³⁷ Paddison, Laura, "[America's Affordable Housing Crisis isn't Just Hitting Cities](#)", Huffington Post, October 2, 2018.

residential rental units can help tenants understand their obligations and rights.³⁸ Provincial initiatives to disseminate information on tenant rights is also useful.

Helping tenants with understandable leases and streamlined procedures for landlord tenant disputes is laudable, significant issues for many tenants are not addressed through such mechanisms.

Some Ontarians are unable to find or pay for market based housing or rental units given their incomes. Others require social service supports to live independently in their housing. The provision of these supports is not the responsibility of landlords but of government at all three levels in Canada (i.e. federal, provincial and municipal). Recent initiatives in Ontario and from the Canada Mortgage and Housing Corporation (CMHC) have recognized the need to view housing in a comprehensive fashion that includes public, private and non-profit stakeholders in providing solutions.

How do we encourage homeowners to create legal second units and new rental supply?

MFOA supports creative housing solutions and a range of housing options that can include legal second units on or in existing properties. Municipalities should be encouraged to work with various groups to see if such housing is workable in their communities. However, second units must not by-pass Building Code requirements and municipal by-laws intended to provide for the health and safety of tenants. Any efforts to streamline the process of creating second units should not be done by reducing the review and approval powers of municipal planning staff or building officials. Second units should also not be exempt from DCs since second unit occupants generate growth-related capital needs.

III.v. Innovation

The consultation document seeks other creative ideas to help increase the supply of housing, offering up the following examples:

- Innovative forms of home ownership;
- State of the art building designs and materials;
- Creative building design ideas to improve the quality of the community.

In addition, the government is interested in gathering input on other issues that people face when trying to find or afford a home, including issues faced by new home buyers.

MFOA supports innovation in housing whether it involves innovative materials, designs, planning, financing or public sector supports for homeowners and renters. However, as a finance organization, MFOA defers to others on matters such as building industry innovation, new ownership forms, and the like. We

³⁸ Ontario, [Renting in Ontario: Your rights](#)

support a number of recent initiatives that will result in innovation and benefits for those looking for housing.

As noted several times in this paper, our view is that the most significant innovations will be in the development of creative housing strategies that specifically address issues of housing mix, location and affordability for all incomes and housing needs. These strategies emphasize partnerships and working with development industry leaders to expedite new approaches to the provision of housing and more efficient use of existing infrastructure. The strategies that will emerge in municipalities that pursue them will be varied, as the circumstances they face will be different. However, without focusing on these issues and making them policy priorities, it is less likely a change in an approval process will produce the results we want from a holistic housing approach.

IV. Conclusion

Numerous questions raised in the consultation paper are best dealt with by municipal planners and building code officials. MFOA supports efforts to streamline approvals, promote affordable housing and promote innovation. However, we also caution that municipal powers to promote sound planning and protect the public interest not be eroded as we adopt new policies and approaches.

Our most pressing concern in the current debate deals with infrastructure financing. We are concerned about any new initiative that would reduce development charge revenues by expanding mandatory exemptions or other means. Further, development charges do not drive house prices. Therefore, reducing DCs will not reduce house prices. **Reducing development charges, however, will reduce municipal revenues and negatively impact a municipality's ability to finance growth-related capital works and negatively affect its long-term sustainability.** A reduced ability to finance growth-related works will only serve to delay or halt development and exacerbate housing supply problems. We conclude by repeating our position on development charges:

- Growth should pay for growth;
- There should be no ineligible services under the DCA;
- There should be no service “discounts”;
- Service levels should be forward looking and not based on historic service averages;
- There should be no new mandatory development charge exemptions.