

Supplementary Report - City Staff Comments on Proposed Bill 23 - More Homes Built Faster Act, 2022

Date: November 22, 2022

To: City Council

From: Interim City Manager, Chief Financial Officer and Treasurer, and Chief Planner and Executive Director, City Planning

Wards: All

SUMMARY

This is a supplementary update to the Interim City Manager's report dated November 16, 2022 in Item [CC1.2 Update on Bill 23, More Homes Built Faster Act, 2022](#).

On October 25, 2022 the Province introduced Bill 23, the *More Homes Built Faster Act 2022*, that proposes extensive changes to the policy-led planning and land development system under which municipalities in Ontario work. The Bill proposes to amend numerous Acts including the: *City of Toronto Act, 2006 Planning Act, Conservation Authorities Act, Development Charges Act, 1997, Municipal Act, 2001, New Home Construction Licensing Act, 2017, Ontario Heritage Act, Ontario Land Tribunal Act*, and the *Ontario Underground Infrastructure Notification System Act, 2012*. The Province's stated goal for the Bill is to facilitate the construction of 1.5 million new homes, of which 285,000 homes (or 19%) are targeted in Toronto by 2031 - an increase of 115% or 150,000 homes.

The proposed Bill received Second Reading, was considered by the Standing Committee on Heritage, Infrastructure and Cultural Policy in public hearings and underwent a clause-by-clause review on November 21, 2022 to consider proposed amendments to the Bill. Given the 30-day period which was available for the City to provide responses to a bulk of the proposed legislative changes, staff submitted a package of comprehensive comments to the Environmental Registry of Ontario and Ontario Regulatory Registry portals. The City staff submission is attached to this report (see Attachment 1) and focusses on the proposed changes to the *City of Toronto Act, 2006 Planning Act, Conservation Authorities Act, Development Charges Act, 1997, Municipal Act, 2011, Ontario Heritage Act, 2012* and the *Ontario Land Tribunal Act*.

This report and its Attachments highlight some of the major changes proposed in Bill 23, the potential impacts on the City, and makes recommendations which staff recommend City Council adopt and submit to the Province. Several of the proposed amendments represent a positive step towards achieving the overall housing supply goal, such as

proposed changes around the missing middle, Parkway Belt, subdivision notifications, and reflect a number of the actions the City has already completed or initiated to achieve this outcome.

However, the Bill also focuses on the reduction of fees and charges and does not advance the necessary policy initiatives critical to fostering necessary affordable housing options and planning for complete communities. Changes to the development charges, community benefits charge and parkland levies would result in an estimated \$230M annual loss in revenues - or about a 20% reduction. This would negatively impact the City's ability to provide the services necessary to support growth over the long term.

As a world renowned newcomer reception City, we need to plan for an equitable, inclusive, and affordable city that can offer pathways to prosperity and sustainability, especially in light of the Federal government's plan for 500,000 new immigrants per year arriving in Canada by 2025. Toronto will continue to grow, but how we grow is of fundamental concern to the City and has shaped our analysis of the proposed Bill 23 - More Homes, Built Faster Act, 2022. The Province and the Federal governments also benefit from growth from the creation of jobs, increased income taxes and excise taxes. It is imperative that solutions be found in collaboration, cooperation and innovation between all parties.

City staff's detailed comments are included in Attachment 1 to this report, while the Chief Planner's presentation notes to the Standing Committee are included as Attachment 2 to this report. Staff comments were submitted to ensure the Standing Committee was able to consider the areas of support, concern and requested changes to the Bill. Additionally, City staff have continued to engage and request meetings with appropriate ministry staff to relay the City's feedback and comments.

RECOMMENDATIONS

The Interim City Manager, Chief Financial Officer and Treasurer, and Chief Planner recommend that:

1. City Council request the Province to extend the commenting period on Bill 23, More Homes Built Faster Act, 2022 to at least January 31, 2023 to enable time for consultation, consideration of alternative options and thorough analysis of both short and long-term impacts.
2. City Council request the Province to:
 - a. not proceed with any changes that reduce municipal development charges, community benefit charges or parkland dedication, including:
 - i. removing housing services from development charges
 - ii. retroactively phasing in development charges over a 5 year period on top of City Council's previously adopted two-year phase-in that was mutually agreed upon with the development industry
 - iii. discounting rates for purpose built rental units
 - iv. adding new exemptions

- v. introducing caps to the development charges determined date and instalments interest rates
- vi. extending the development charges historic service level caps from 10 to 15 years
- v. removing growth studies and land acquisition costs from development charges recovery
- vi. reducing caps to parkland dedication by-laws

b. instead of the above-noted changes, create a provincial incentive program provided directly to developers or homeowners through targeted grants, rebate and other financial incentive programs.

c. alternatively, create a municipal compensation fund to compensate municipalities for the impacts of Bill 23 on municipal growth funding revenues.

3. City Council request the Minister of Municipal Affairs and Housing to change the effective date of the Refund of Fees for official plan amendments, zoning by-laws and site plan control applications contained in Bill 109, from January 1, 2023 to July 1, 2023.

4. City Council forward a copy of this report to the Premier of Ontario, the Minister of Municipal Affairs and Housing, the Leader of the Official Opposition, all Ontario MPPs, the Association of Municipalities of Ontario, and all Ontario municipalities for their consideration.

FINANCIAL IMPACT

A preliminary analysis supported by an independent third party (Hemson Consulting Ltd.) suggests that, as a result of proposed Bill 23 changes to the Development Charges Act and Planning Act, the City would lose \$230 million annually in development charges and parkland dedication revenues - a reduction of over 20% in growth funding. This preliminary analysis only partially accounts for the impacts of Bill 23 as tight timelines and information that is yet to be provided through pending Provincial regulations or bulletins means that the City is unable to estimate revenue losses from substantial elements. A summary is provided in the table below.

Estimated Preliminary Annual Financial Impacts of Bill 23 for the City of Toronto

Proposed change	Preliminary annual impact
Reducing development charges by:	
<ul style="list-style-type: none"> • Removing housing as a development charge service 	\$130M

Proposed change	Preliminary annual impact
<ul style="list-style-type: none"> Retroactively phasing-in development charge rates over a 5-year period 	\$50M*
<ul style="list-style-type: none"> Discounting rates for purpose-built rental units 	\$11M+
<ul style="list-style-type: none"> Introducing exemptions for affordable ownership and rental housing, "attainable" housing, non-profit housing and inclusionary zoning units (impact unknown as provincial regulations and bulletins are pending but could be significant) Capping interest rates applicable to mandatory early development charge determination dates and development charge instalment payments (impact unknown but could be significant with over 250,000 units potentially impacted) Extending historic service level caps from 10 to 15 years (full impact to be quantified; \$4M annual impact for parks and recreation service only) Removing growth studies and land acquisition as eligible capital costs (Over \$600M costs in the 2022 DC Background Study potentially impacted pending provincial regulation) 	\$30-\$80M+
Total development charge impact	\$200M+
Reducing parkland dedication by:	
<ul style="list-style-type: none"> Capping the alternative parkland dedication rate 	\$15M
<ul style="list-style-type: none"> Requiring the crediting of encumbered parkland Introducing new statutory exemptions Introducing mandatory early parkland determination dates 	\$15-\$20M+
Total parkland impact	\$30M+
Total Bill 23 impacts	\$230M+

Note: *average over 5 years

This significant potential revenue loss comes at a time when Toronto has real challenges with an anticipated \$815M budget shortfall as a result of the COVID-19 pandemic and significant project cost escalation, as reported previously to City Council in May 2022 ([Item CC43.3](#)). These challenges also come at a time with no additional capacity to issue debt, and when our residents are struggling with higher inflation and borrowing costs. The revenue loss would dramatically impact Toronto's finances and would be unaffordable for existing taxpayers to fully fund.

As a result, the City would have no choice but to postpone or not proceed with numerous capital projects. In the absence of the Province offsetting lost funding, these revenue losses would limit our ability to advance the necessary infrastructure to support new housing and have the effect of limiting housing supply.

Another concern relates to the retroactive 5-year phase-in of development charge rates. City Council already adopted a two-year rate phase-in that was arrived at after a lengthy background study process and consultations with the development industry. The building industry, as represented by the Building Industry and Land Development Association (BILD), was fully engaged throughout the process, including discussions on the phase-in of rate increases, and submitted a [letter](#) to the City confirming that it would not appeal the bylaw. This retroactive 5-year phase-in would result in a \$265 million revenue loss over 5 years, on top of City Council's previously adopted two-year phase-in valued at \$450 million, for a total of over \$700 million in phase-in costs.

A detailed breakdown of preliminary financial impacts of Bill 23 is outlined in Attachment 1.

Economic Impact

Reduced capital spending resulting from Bill 23 revenue losses will have a negative economic impact to the broader community. A 2017 survey by the Centre for Spatial Economics commissioned by the Ontario Government estimated that a \$1 million increase in public infrastructure spending (non-residential building construction, engineering construction, and capital outlays on machinery & equipment) generates between 4.7 and 13.5 person-years of employment in the short-run (primarily construction) phase. That is, between 4.7 and 13.5 jobs created for one year, with a mid-range estimate of roughly 9 jobs per \$1 million expenditure. A reduction in capital expenditures can be assumed to have a similar opposite impact.

While not strictly comparable, a 2019 analysis by Altus Group estimated that a \$1 million rise in new residential construction across the GTA directly creates 4.5 person-years of employment. Adding in the indirect impact on local goods and services suppliers and the induced impact from increases in incomes and personal consumption generates an overall jobs multiplier of 9.2 person-years of employment.

As such, it can be reasonably assumed that a reduction in City capital spending of \$230 million could result in 1,000 to 3,000 person-year job losses, or a mid-range of around 2,000 jobs lost for one year. It is imperative that the Province pause consideration of changes that negatively impact the City's ability to invest in infrastructure and create jobs, particularly at a time when the economy is recovering from the COVID-19 pandemic.

DECISION HISTORY

At its meeting on March 30, 2022, Executive Committee considered a report (EX31.11) on the City's review of Provincial Housing Affordability Task Force Recommendations. However, on March 30, 2022 the Province introduced changes to various legislation to implement some of the recommendations in the Task Force Report and as a result, Executive Committee referred the item to the City Manager and requested a report to Planning and Housing Committee.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.EX31.11>

The resulting report (PH33.11) was considered by City Council on May 11-12, 2022. Among other matters, Council expressed its concerns to the Province that Bill 109 (*More Homes for Everyone Act*) received Royal Assent before the stated commenting period expired. Council also adopted additional concerns related to Bill 109.

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2022.PH33.11>

COMMENTS

City staff's detailed comments are included in Attachment 1 to this report, while the Chief Planner's presentation notes to the Standing Committee are included as Attachment 2 to this report. Staff comments were submitted to ensure the Standing Committee was able to consider the areas of support, concern and requested changes to the Bill. Additionally, City staff have engaged with appropriate ministry staff and have expressed continued interest in meeting to relay the City's feedback and comments.

In addition to the impacts of Bill 23, Bill 109, the More Homes for Everyone Act, 2022 received Royal Assent on April 14th, 2022. Bill 109 also amended the Planning Act, the Development Charges Act and the City of Toronto Act. This legislation takes effect in phases with a key legislative change taking effect on January 1, 2023. The legislative changes deal with the refund of development application fees for Official Plan/Zoning By-law amendments, Zoning By-law amendments and Site Plan Control applications and will result in fee refunds against prescribed timelines.

Bill 23 changes coupled with the changes contained in Bill 109 would create additional turmoil and challenges for municipalities to effectively respond to the ever-evolving legislative framework. Staff recommend that City Council request the Province to amend the date the fee refunds will take effect in order to enable municipalities to effectively respond to the changes. In addition, the City is advancing changes to our development review operating model that will be implemented over the coming months. Bill 23 changes, coupled with Bill 109's prescribed refunds, would result in added impacts to the City.

Bill 23 is intended to implement some actions contained in Ontario's Housing Supply Action Plan with the goal of increasing supply in Ontario by building 1.5 million new homes by 2032. In addition to the proposed legislative changes outlined in Bill 23, the Province is also consulting on a range of other related provincial plans, policies and regulations. This includes merging the Growth Plan for the Greater Golden Horseshoe with the Provincial Policy Statement (PPS) and changing the boundaries of the Greenbelt Plan. The Province has also committed to create working groups with municipalities to limit land speculation and examine rental protection by-laws. Comment

periods on the proposed changes close between November 24th and December 30th, 2022 with the majority closing on November 24th, 2022.

Bill 23 received Second Reading and was referred to the Standing Committee on Heritage, Infrastructure and Cultural Policy for public hearings. The Chief Planner provided a deputation to Standing Committee on November 17, 2022 (see Attachment 2). The Standing Committee considered amendments to Bill 23 on November 21, 2022. Updates with regard to Bill 23, including current status and details of any amendments made by the Standing Committee, will be available from the Ontario Legislative Assembly website:

<https://www.ola.org/en/legislative-business/bills/parliament-43/session-1/bill-23/>.

City staff will continue to update and advise Council on the impacts of Bill 23 as it advances and when implementation details become available. Staff will also advise of any amendments made to the legislation as a result of the Standing Committee's recommendations to amend Bill 23.

Conclusion

The City of Toronto has demonstrated leadership in supporting provincial initiatives to advance housing within the City. Ongoing policy initiatives to expand housing options in the City advanced prior to Bill 23's proposed changes to expand housing in lower density areas. Additional work to densify the City continues to advance with more reports to be considered by Council in the first half of 2023. The City has also advanced initiatives to reduce 'red tape' and improve our planning process to streamline and reduce inefficiencies in development review processes as evidenced by the ongoing work with respect to both the End to End review and Concept 2 Keys. The City will continue to advance key initiatives to streamline processes and to ensure zoning is up to date.

While the intent of the Bill - to create more housing - is laudable, there is nothing in the bill that guarantees that additional housing will be built. The Bill is in large part premised on the fact that if costs are reduced and timelines to decision advanced, that this will result in more construction, but it does not address other realities in the complex world of development. Developers deal with an array of issues that impact decisions to advance to development, including interest rates, financing, access to construction supplies and labour. There is nothing in the Bill compelling a developer to advance an approval to construction or to pass forward any cost savings to consumers; developers sell housing at the price that the market will bear. In addition, the revenue loss to the City would dramatically impact the City's financial position and ability to provide infrastructure necessary to support the significant growth in population; as a result, the Bill may have the effect of slowing housing supply, counter to Provincial objectives. In addition, there is nothing in the Bill to address the issue of affordability within the market. It is questionable if the Bill will result in the increased level of development envisioned, but the effects of the Bill on community infrastructure, parks, and affordable housing are certain and would have significant impacts on the livability of the City. The provisions that impact regional growth through management of the growth plan and watershed, and provisions that impact how Toronto grows sustainably through the

application of the Green Standard, remain of concern, pending the final version of the Bill.

Staff recommend that the Province pause consideration of the proposed changes and consult with stakeholders, including municipal partners, to conduct a thorough analysis of both short and long-term impacts and consider alternatives and options, to ensure the Province can achieve its desired outcomes to meet the needs of Ontarians.

CONTACT

Karen Jones, A/Director, Intergovernmental & Agency Relations,
karen.jones@toronto.ca

Kerri Voumvakis, Director, Strategic Initiatives, Policy & Analysis, City Planning,
kerri.voumakis@toronto.ca

Andrew Flynn, Controller, Office of the Controller, andrew.flynn@toronto.ca

SIGNATURE

Tracey Cook
Interim City Manager

Gregg Lintern, MCIP, RPP
Chief Planner and Executive Director, City Planning Division

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

Attachment 1: City of Toronto Comments on Proposed Bill 23 (submitted to the Environmental Registry of Ontario and Ontario Regulatory Registry November 22, 2022)

Attachment 2: Chief Planner Presentation Notes to the Standing Committee Heritage, Infrastructure and Cultural Policy (November 17, 2022)