General Committee Revised Agenda
Revised Items are Italicized.

Meeting Number: 3
February 4, 2019, 9:30 AM - 11:30 AM
Council Chamber

Please bring this General Committee Agenda to the Council meeting on February 12, 2019.

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to the Development Charges Reserve will be at the Prime Rate for borrowing deemed to be less than 5 years in duration, and at the York Region debenture rate when borrowing is deemed to be over five years in duration; and further,

3) That staff be authorized and directed to do all things necessary to give effect to this resolution.

6. REGULAR REPORTS - FINANCE & ADMINISTRATIVE ISSUES

6.1 ADDITIONAL CITY OF MARKHAM COMMENTS ON THE PROVINCE'S INCREASING HOUSING SUPPLY IN ONTARIO CONSULTATION DOCUMENT (7.11) *32*

J. Yeh, ext. 7922

Note: This matter was referred from the January 29, 2019 Council Meeting to the February 4, 2019 General Committee meeting for further discussion.

1) That the report entitled "Additional City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document", dated February 4, 2019 be received; and,

2) That the report entitled "Additional City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document", dated February 4, 2019, be forwarded to the Assistant Deputy Minister of Municipal Affairs and Housing; and,

3) That the City of Markham work with the Province to streamline the development application process including matters such as public consultation requirements in the approvals process; and,

4) That the City of Markham request the Province to review their One Window Planning Service for input, review, and approval of planning applications that includes streamlining review processes and utilize technology for enhanced coordination between Ministries; and further,

5) That the City of Markham request the Province to amend the *Development Charges Act, 1997 as amended,* to eliminate the 10% reduction for services and reduce the list of ineligible services.

7. MOTIONS

8. NOTICES OF MOTION

9. NEW/OTHER BUSINESS

*As per Section 2 of the Council Procedural By-Law, "New/Other Business would generally apply to an item that is to be added to the **Agenda** due to an urgent statutory time requirement, or an emergency, or time sensitivity".*

10. ANNOUNCEMENTS

11. CONFIDENTIAL ITEMS

That, in accordance with Section 239 (2) of the Municipal Act, General Committee resolve into a confidential session to discuss the following matters:

11.1 LAND, BUILDING & PARKS CONSTRUCTION ISSUES

11.1.1 A PROPOSED OR PENDING ACQUISITION OR DISPOSITION OF LAND BY THE MUNICIPALITY OR LOCAL BOARD (WARD 7) (8.0) [Section 239 (2) (c)]

12. ADJOURNMENT

Information Page

General Committee Members: All Members of Council

General Committee
Chair: Regional Councillor Jack Heath
Vice Chair: Councillor Khalid Usman

Finance & Administrative Issues
Chair: Regional Councillor Jack Heath
Vice Chair: Councillor Khalid Usman

Community Services Issues
Chair: Councillor Karen Rea
Vice Chair: Councillor Isa Lee

Environment & Sustainability Issues
Chair: Regional Councillor Joe Li
Vice Chair: Councillor Reid McAlpine

Land, Building & Parks Construction Issues
Chair: Councillor Keith Irish
Vice Chair: Councillor Andrew Keyes

General Committee meetings are audio and video streamed live at the City of Markham's website.

Alternate formats are available upon request.

Consent Items: All matters listed under the consent agenda are considered to be routine and are recommended for approval by the department. They may be enacted on one motion, or any item may be discussed if a member so requests.

Note: The times listed on this agenda are approximate and may vary; Council may, at its discretion, alter the order of the agenda items.

Note: As per the Council Procedural By-Law, Section 7.1 (h) General Committee will take a 10 minute recess after two hours have passed since the last break.

General Committee Minutes

Meeting Number: 2
January 21, 2019, 9:30 AM - 3:00 PM
Council Chamber

Roll Call	Mayor Frank Scarpitti Deputy Mayor Don Hamilton Regional Councillor Jack Heath Regional Councillor Joe Li Regional Councillor Jim Jones Councillor Keith Irish Councillor Alan Ho	Councillor Reid McAlpine Councillor Karen Rea Councillor Andrew Keyes Councillor Amanda Collucci Councillor Khalid Usman Councillor Isa Lee (arrived 11:45 AM)
Staff	Andy Taylor, Chief Administrative Officer Trinela Cane, Commissioner of Corporate Services Brenda Librecz, Commissioner of Community & Fire Services Arvin Prasad, Commissioner Development Services Catherine Conrad, City Solicitor and Acting Director of Human Resources Bryan Frois, Chief of Staff Brian Lee, Acting Commissioner of Development Services Kimberley Kitteringham, City Clerk Martha Pettit, Deputy City Clerk Joel Lustig, Treasurer Phoebe Fu, Director, Environmental Services	Mary Creighton, Director of Recreation Services Alex Moore, Manager of Purchasing & Accounts Payable Shane Manson, Senior Manager, Revenue & Property Taxation Amanda Knegje, Manager, Tax & Assessment Policy Andrea Tang, Senior Manager, Financial Planning Veronica Siu, Senior Business Analyst Mark Visser, Senior Manager, Financial Strategy, Innovation & Investments Murray Boyce, Senior Policy Coordinator Josh Machesney, Elections & Council/Committee Coordinator

1. CALL TO ORDER

General Committee was called to order at 9:33 AM with Regional Councillor Jack Heath presiding as Chair.

General Committee recessed at 11:26 AM and reconvened at 11:40 AM.

General Committee recessed at 12:42 PM for lunch, and reconvened at 1:41 PM.

2. DISCLOSURE OF PECUNIARY INTEREST

None disclosed.

3. APPROVAL OF PREVIOUS MINUTES

3.1 MINUTES OF THE DECEMBER 10, 2018 GENERAL COMMITTEE (16.0)

Deputy Mayor Don Hamilton asked Staff for an update regarding items 24, 25 and 15 from the December 10, 2018 General Committee Minutes.

With respect to item 24, Box Grove Community Impact Fund, Joel Lustig, Treasurer, advised that Brian Lee, Director, Engineering, is currently working on a response to the resident.

With respect to item 25, AirBnB, Trinela Cane, Commissioner, Corporate Services, advised that Staff is currently working on a briefing note for Members of Council to provide them with an update on the City's AirBnB By-law.

With respect to item 15, Victoria Square Community Centre Board minutes, Brenda Librecz, Commissioner, Corporate Services, advised that each year the City gives the Board an operating grant, and that Staff would follow up with Deputy Mayor Don Hamilton and let him know what the Board plans to do with their grant.

Moved By Councillor Keith Irish
Seconded By Councillor Alan Ho

1) That the minutes of the December 10, 2018 General Committee meeting be confirmed.

Carried

4. DEPUTATIONS

There were no deputations.

5. PETITIONS

There were no petitions.

6. CONSENT REPORTS - FINANCE & ADMINISTRATIVE ISSUES

6.1 MINUTES OF THE NOVEMBER 26, 2018 MARKHAM PUBLIC LIBRARY BOARD (16.0)

Moved By Councillor Khalid Usman
Seconded By Regional Councillor Joe Li

1) That the minutes of the November 26, 2018 Markham Public Library Board meeting be received for information purposes.

Carried

6.2 MINUTES OF THE NOVEMBER 13, 2018 SENIORS ADVISORY COMMITTEE (16.0)

Moved By Councillor Khalid Usman
Seconded By Regional Councillor Joe Li

1) That the minutes of the November 13, 2018 Seniors Advisory Committee meeting be received for information purposes.

Carried

6.3 STAFF AWARDED CONTRACTS FOR THE MONTH OF NOVEMBER AND DECEMBER 2018 (7.12)

Moved By Councillor Karen Rea
Seconded By Deputy Mayor Don Hamilton

1) That the report entitled “Staff Awarded Contracts for the Months of November and December 2018” be received; and,

2) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Carried

7. PRESENTATIONS - FINANCE & ADMINISTRATIVE ISSUES

7.1 GOVERNMENT FINANCE OFFICERS ASSOCIATION AWARDS (12.2.6)

Andrea Tang, Senior Manager, Financial Planning, was in attendance to announce to Committee the City's receipt of the Distinguished Budget Presentation Award for the annual budget for the fiscal year beginning January 1, 2018 and the Canadian Aware for Excellence in Financial Reporting for the annual report for the year ended December 31, 2017 from the Government Finances Officers Association.

Members of General Committee extended their congratulations to the Finance Department.

Moved By Mayor Frank Scarpitti
Seconded By Deputy Mayor Don Hamilton

1) That the report dated January 8, 2019 entitled "Government Finance Officers Association Awards" be received and;

2) That the formal presentation on the receipt of the Distinguished Budget Presentation Award for the annual budget for the fiscal year beginning January 1, 2018 and the Canadian Award for Excellence in Financial Reporting for the annual financial report for the year ended December 31, 2017 from the Government Finance Officers Association (GFOA) be received.

Carried

7.2 2019 REASSESSMENT MARKET UPDATE (YEAR 3 OF 4) & RELATIVE PROPERTY TAX IMPACT REPORT (7.0)

Shane Manson, Senior Manager, Revenue & Property Taxation, showed a short video clip explaining how Markham's property taxation system work.

Amanda Knegje, Manager, Tax & Assessment Policy, was in attendance to deliver a PowerPoint presentation regarding the Reassessment Market Update Impact.

Moved By Deputy Mayor Don Hamilton
Seconded By Councillor Karen Rea

1) That the presentation by Mr. Shane Manson, Senior Manager, Revenue & Property Taxation , entitled “2019 Reassessment Market Update (Year 3 of 4) & Relative Property Tax Impact Report” be received; and,

2) That the report entitled “2019 Reassessment Market Update (Year 3 of 4) & Relative Property Tax Impact Report” along with the detailed attachment “2019 Reassessment Market Update & Relative Property Tax Impact – Ward by Ward Analysis” be received for information; and further,

3) That staff be authorized and directed to do all the things necessary to give effect to this resolution.

Carried

7.3 2019 WATER/WASTEWATER RATE (5.3)

Phoebe Fu, Director, Environmental Services, and Veronica Siu, Senior Business Analyst, were in attendance to deliver a PowerPoint presentation regarding the 2019 Water/Wastewater Rates.

Ms. Fu, Director, Environmental Services, advised Committee that the City is undertaking a joint review of water/wastewater rates with the Region of York to ensure that water/wastewater services continue to be delivered efficiently and to highlight any areas of improvement.

Councillor Amanda Collucci requested that Staff provide more information to residents regarding their water/wastewater bills to help residents understand their waster/wastewater costs and its breakdown.

Moved By Councillor Karen Rea
Seconded By Deputy Mayor Don Hamilton

1) That the presentation by Ms. Phoebe Fu, Director, Environmental Services and Ms. Veronica Siu, Senior Business Analyst entitled “2019 Water/Wastewater Rate” be received; and,

2) That the report entitled “2019 Water/Wastewater Rate” be received; and,

3) That Staff be authorized to hold a public meeting on **February 19, 2019** at 6:00 p.m. in the Council Chamber at the Civic Centre to gather resident feedback on the proposed 2019 water/wastewater rate increase of $0.3238/m^3 from $4.1442/m^3 to $4.4680/m^3; and,

4) That feedback received at the public meeting along with the proposed 2019 water/wastewater rate be put forward for consideration by Council at the February 26th Council meeting; and further,

5) That Staff be authorized and directed to do all things necessary to give effect to this resolution.

Carried

7.4 CITY OF MARKHAM 2018 MUNICIPAL ELECTION SURVEY RESULTS (14.0)

Kimberley Kitteringham, City Clerk & Director of Legislative Services, was in attendance to introduce Dr. Nicole Goodman, Director, Centre for e-Democracy and Assistant Professor, Brock University.

Dr. Goodman was in attendance to deliver a PowerPoint Presentation regarding City of Markham 2018 Municipal Election Survey Results. Dr. Goodman spoke to the following aspects of the survey:

- Prevalence of online voting among Ontario municipalities;
- Voter satisfaction with online voting;
- Public attitudes towards online voting;
- Online voting participation among Markham residents;
- Broader findings of the survey.

Members of General Committee discussed their concerns with the municipal Voters' List. Ms. Kitteringham, City Clerk, advised that the municipal Voters' List is provided to municipalities by the Municipal Property Assessment Corporation (MPAC), and that changes to the Voters' List are facilitated by MPAC.

Ms. Kitteringham, City Clerk, announced that Staff will be bringing forward a report to General Committee in April 2019 regarding Markham's 2018 Municipal Election for more information.

Moved By Mayor Frank Scarpitti
Seconded By Councillor Andrew Keyes

1) That the presentation by Dr. Nicole Goodman, Director, Centre for e-Democracy and Assistant Professor, Brock University entitled "City of Markham 2018 Municipal Election Survey Results," be received.

2) That the City Clerk be directed to forward a copy of Dr. Goodman's presentation to Elections Ontario and Elections Canada.

Carried

8. REGULAR REPORTS - FINANCE & ADMINISTRATIVE ISSUES

8.1 CITY OF MARKHAM COMMENTS ON THE PROVINCE'S INCREASING HOUSING SUPPLY IN ONTARIO CONSULTATION DOCUMENT (7.11)

Murray Boyce, Senior Policy Coordinator, Policy & Special Projects, and Mark Visser, Senior Manager, Financial Strategy & Investments, were in attendance to deliver a PowerPoint presentation regarding the City's comments on the Province's Increasing Housing Supply in Ontario consultation document. The following aspects of the consultation document were reviewed:

- Staff's comments on the usefulness of a Provincial Housing Supply Action Plan; and,
- Financial impacts on the City and taxpayers as a result of the Province potentially reducing development charges.

Staff advised that potential changes to the *Development Charges Act, 1997, as amended* are strictly speculative, though the Provincial Government has suggested that they are looking to spur development through reducing government imposed fees and charges.

Moved By Mayor Frank Scarpitti
Seconded By Councillor Keith Irish

1) That the report entitled "City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document" dated January 21, 2019 be received; and,

2) That the report entitled "City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document" dated January 21, 2019, be forwarded to the Assistant Deputy Minister of Municipal Affairs and

Housing in response to the request for comments and that Council express its support for the development of a Provincial Housing Supply Action Plan, subject to the comments raised in the report; and,

3) That Staff be directed to forward the report to the Assistant Deputy Minister of Municipal Affairs and Housing by January 25, 2019, prior to the meeting of Council being held on January 29, 2019; and,

4) That Markham City Council does not endorse or support **proposed** changes to the *Development Charges Act, 1997, as amended*, to reduce the infrastructure recoverable through development charges, and that any changes should ensure that growth pays for growth and does not create a greater financial burden on existing property tax payers; and,

5) That the City of Markham offer to work with the Province to establish creative solutions to affordable housing and home ownership, including secondary suites, and grant municipalities greater control in applying those solutions; and,

6) That Markham City Council request that the Province extend the timeline for providing comments for an additional 30-days in order to provide meaningful proposed solutions from municipalities, the development industry and members of the public; and,

7) That Markham City Council request that the Province immediately undertake process reviews to streamline the development process especially as it relates to three areas of importance: 1) streamlining the Ministry of Transportation permitting process; 2) revamping the environmental assessment process to be more effective and efficient; 3) examining the permitting and reporting processes at the conservation authorities to comment on applications in a more timely manner; and further,

8) That staff be authorized and directed to do all things necessary to give effect to this report.

Carried

9. MOTIONS

There were no motions.

10. NOTICES OF MOTION

There were no notice of motions.

11. NEW/OTHER BUSINESS

There was no new business.

12. ANNOUNCEMENTS

There were no announcements.

13. ADJOURNMENT

Moved By Councillor Khalid Usman
Seconded By Councillor Amanda Collucci

1) That General Committee adjourn at 3:17 PM.

Carried

MARKHAM ENVIRONMENTAL ADVISORY COMMITTEE

MINUTES

Ontario Room, Markham Civic Centre
November 15, 2018

Attendance

Members
Karl Lyew, Chair
Kevin Boon, Vice Chair
Christopher Ford
Nadine Pinto
Natasha Welch

Regrets
Ashok Bangia
Alimasi Chen
Karl Fernandes
Phil Ling, Immediate Past Chair
Elvis Nurse
Diane Ross

Council
Regional Councillor Joe Li
Deputy Mayor Jack Heath

Guests
Karthik Ganapathiraju, Student
Boris Lam, Student

Staff
Jacqueline Tung, Community Engagement Assistant
Jennifer Wong, Sustainability Coordinator
Bev Shugg Barbeito, Committee Coordinator

1. CALL TO ORDER

The Markham Environmental Advisory Committee (MEAC) was called to order at 7:22 PM with Karl Lyew presiding as Chair. On behalf of the Committee, he congratulated the Council members on their re-election.

2. CHANGES OR ADDITIONS TO THE AGENDA

Item 5 A - Presentation about Markham Waste Management was deferred to a future meeting. The agenda was accepted as amended.

3. ADOPTION OF THE MINUTES OF THE MARKHAM ENVIRONMENTAL ADVISORY COMMITTEE MEETINGS HELD ON JUNE 21, 2018, SEPTEMBER 20, 2018 AND OCTOBER 18, 2018

It was noted that the name of a student, who attended the September 20, 2018 meeting, was misspelled: the name should read Jake Koszczewski.

It was

Moved by Christopher Ford
Seconded by Deputy Mayor Jack Heath

That the minutes of the Markham Environmental Advisory Committee (MEAC) meetings on June 21, 2018 and October 18, 2018 be adopted as distributed and that the minutes of the Markham Environmental Advisory Committee (MEAC) meeting on September 20, 2018 be adopted as amended.

CARRIED

4. MATTERS ARISING FROM THE MINUTES

A. INFORMATION ON MARKHAM INITIATIVES AND COUNCIL MATTERS

- Regional Councillor Joe Li reported that Markham District Energy has agreed to install the underground waste management system in future developments in Markham, such as Langstaff, Buttonville airport, and other new subdivisions of 1,000 homes or more.

  Regional Councillor Joe Li provided a brief description of the system where residents throw waste into readily accessible chutes, which can either be indoors or outdoors. The waste is temporarily stored above a closed storage valve until the chute is full. Automatic emptying is controlled by a system in the waste collection station located on the outskirts of the development it serves; it is linked to the chutes via a network of underground pipes. When the control system senses that it is time to empty the chutes, a vacuum is created in the pipe network and waste in the chutes is sucked to the waste collection station at speeds up to 70 kph and over distances as great as 10 km. Waste at the collection station is sucked through a cyclone, where it is separated from the transport air. The waste then falls into a compressor where it is compressed and fed into a sealed container.

  This system offers many benefits: the waste chutes can be located close to residents, which makes sorting waste at source easier and increases recycling rates. Diverting valves ensure that each waste stream remains separated. Finally, the system is hermetically sealed, so it will not attract pests or insects, or give off unpleasant odours.

The system reduces carbon emissions and increases the sustainability of the environments in which it operates. There is no need for garbage trucks to make regular pickups and this reduces the amount of polluting waste collection vehicles on roads. Finally, waste collection cycles can be scheduled more frequently for less cost.

- Deputy Mayor Jack Heath reported that:
  - the Waste Management department will undertake a program and service review.
  - Recycling and garbage collection schedules will be available online; hard copies may be picked up at community centres, libraries, and the Markham Civic Centre.
  - Markham is moving towards Zero Waste; there is a Council approved directive to staff to recycle/or compost materials at the Markham Civic Centre, City facilities, and in relation to Markham's food and catering services. Many Markham public elementary schools and Catholic Schools are part of the Zero Waste for Schools Program which encourages Markham schools to adopt Zero Waste practices.
  - Future waste management initiatives will focus on bulky items, e-waste, batteries, litter/public space waste, and single use plastics.

B. FOLLOW UP ON ACTION ITEMS

Chair Karl Lyew advised that the action items would be discussed during the meeting.

5. NEW BUSINESS

A. PRESENTATION - MARKHAM WASTE MANAGEMENT

The presentation was deferred to a future meeting.

B. ELECTION OF VICE CHAIR

Chair Karl Lyew reviewed the Committee practice where the current Vice Chair assumes the position of Chair and the Committee elects a new Vice Chair, i.e. current Vice Chair will become the Chair for 2019 and the Vice Chair elected for 2019 would assume the role of Chair in January 2020. Chair Karl Lyew reported that Christopher Ford had expressed an interest in serving as Vice Chair in 2019.

It was

Moved by Kevin Boon
Seconded by Karl Lyew

That Christopher Ford be elected as Vice Chair of the Markham Environmental Advisory Committee (MEAC) for a one-year term.

CARRIED

C. EARTH MONTH PLANNING

Jennifer Wong advised that neither Aaniin Community Centre nor the Pan Am Centre would be available to host the 2019 Earth Day event. The Markham Civic Centre has been booked as a backup venue. Committee members discussed other venue options such as Cornell Community Centre, Kings Square Mall (Woodbine and 16th Avenues) and Remington Centre/Marriott Hotel. In conjunction with Alimasi Chen, the Kings Square Mall will be contacted to enquire about availability. It was agreed that it is important to confirm the venue as soon as possible – it is hoped to finalize a decision offline.

The Committee discussed the need for a sub-committee to develop the plans for the Earth Day Event. Vice Chair Kevin Boon advised that the sub-committee Chair would work closely with Jennifer Wong in planning the event; the guide “MEAC Earth Day Event – Planning and Execution” would assist in planning and organizing of the event. Nadine Pinto and Natasha Welch volunteered to serve as Sub-committee Co-chairs.

6. OTHER BUSINESS

A. ECO SCHOOLS LAUNCH

Chair Karl Lyew reported that he will attend the launch on November 22 and will make a report at the next meeting.

B. MEETING WITH MAYOR SCARPITTI

Chair Karl Lyew advised that it is hoped that it will be possible to schedule a “pizza night” in early 2019 with Mayor Frank Scarpitti.

C. RESIGNATION AND END OF TERM

Chair Karl Lyew announced that Carrie Sally has resigned from MEAC. The Committee would like to thank Carrie for her dedication to the City's environmental issues, and efforts in coordinating Earth Day events, during her time serving on MEAC.

Since this would be his final meeting as Chair, Karl Lyew thanked the Committee members for the privilege of working with them.

7. NEXT MEETING

The next meeting of the Markham Environmental Advisory Committee will be held on Thursday, January 17, 2019 at 7:00 p.m., in the Ontario Room, Markham Civic Centre.

8. ADJOURNMENT

It was

Moved by Deputy Mayor Jack Heath
Seconded by Christopher Ford

That the Markham Environmental Advisory Committee adjourn at 8:30 PM.

CARRIED

Report to: General Committee   Meeting Date: Feb 4, 2019

SUBJECT: 2018 Investment Performance Review
PREPARED BY: Mark Visser, Senior Manager, Financial Strategy & Investments x.4260

RECOMMENDATION:

1) THAT the reports dated February 4, 2019 entitled "2018 Investment Performance Review" be received;

2) AND THAT staff be directed to update the Development Charges Borrowing Policy and the Investment Interest Allocation Policy to reflect that all internal lending to the Development Charges Reserve will be at the Prime Rate for borrowing deemed to be less than 5 years in duration, and at the York Region debenture rate when borrowing is deemed to be over five years in duration;

3) AND THAT staff be authorized and directed to do all things necessary to give effect to this resolution.

EXECUTIVE SUMMARY:
Not applicable

PURPOSE:
Pursuant to Regulation 438/97 Section 8, the Municipal Act requires the Treasurer to "prepare and provide to the Council, each year or more frequently as specified by Council, an investment report".

The investment report shall contain,

(a) a statement about the performance of the portfolio of investments of the municipality during the period covered by the report;

(b) a description of the estimated portion of the total investments of a municipality that are invested in its own long-term and short-term securities to the total investment of the municipality and a description of the change, if any, in that estimated proportion since the previous year's report;

(c) a statement by the Treasurer as to whether or not, in his opinion, all investments were made in accordance with the investment policies and goals adopted by the municipality;

(d) a record of the date of each transaction in or disposal of its own securities, including a statement of the purchase and sale price of each security;

(e) such other information that the Council may require or that, in the opinion of the Treasurer, should be included.

BACKGROUND:

For the year ending December 31, 2018, the City of Markham's Income Earned on Investments was $13.317 million, compared to a budget of $10.350 million, representing a $2.967 million favourable variance.

The 2018 budget assumed an average general fund portfolio balance of $400.0 million to be invested at an average rate of return of 2.59%. Both the actual average portfolio balance and the average rate of return were higher than the budgeted levels. The details of these two factors will be discussed below.

Interest Rate

At the beginning of the year, the Prime Rate was at 3.20%. The Bank of Canada made three 25 basis point increases in January, July, and October. Although these increases helped Markham's returns in the money market, there was very little sustained impact on long term bond rates. For example, 10 year Canada bond rates were 2.05% at the beginning of 2018 and were under 2.00% at the end of 2018. Markham's weighted average days to maturity decreased significantly in 2018 as there was little incentive to invest long term.

In 2018, the City's investments had an average rate of return of 3.12%, 53 basis points higher than the forecast. The difference in the rate of return accounts for a favourable variance of $2.283 million.

Portfolio Balance

The budgeted average portfolio balance for 2018 was $400.0 million. The actual average general fund portfolio balance (including cash balances) for 2018 was $426.5 million. The higher portfolio balance accounts for a favourable variance of $0.684 million.

Variance Summary

	Budget	Actual	Variance
Portfolio Balance	$400.0m	$426.5m	$26.5m
Interest Rate	2.59%	3.12%	0.53%
Investment Income	$10.350m	$13.317m	**$2.967m**
Portfolio Balance Variance Impact			**$0.684m**
Interest Rate Variance Impact			**$2.283m**

Portfolio Composition

All investments made in 2018 adhered to the City of Markham Investment Policy. At December 31, 2018, 41% of the City's marketable securities portfolio was comprised of government issued securities and 59% of the portfolio was made up of instruments issued by Schedule A Banks. All of these levels are within the targets established in the City's Investment Policy. (Exhibit 1).

The December 31, 2018 marketable securities portfolio was comprised of the following instruments: Bonds 53%; GICs 18%; and Principal Protected Notes 29%. (Exhibit 2)

At December 31, 2018, the City's portfolio balance (all funds excluding Development Charges) of $360.9 million was broken down into the following investment terms (Exhibit 3):

	2018	2017
Under 1 month	35.7%	6.6%
1 month to 3 months	3.9%	20.1%
3 months to 1 year	17.6%	19.4%
Over 1 year	42.7%	53.8%
Weighted average investment term	1,893 days	2,337 days
Weighted average days to maturity	1,044 days	1,310 days

Money Market Performance

The City of Markham uses the 3-month T-bill rates to gauge the performance of investments in the money market. The average 3-month T-bill rate for 2018 was 1.38% (source: Bank of Canada). Non-DCA Fund money market investments held by the City of Markham in 2018 (including bank balances) had an average return of 1.99%. Therefore, the City's money market investments outperformed 3-month T-Bills by 61 basis points. See Exhibit 4 for all Money Market securities held by the City of Markham in 2018.

Bond Market Performance

At December 31, 2018, the City held 34 bonds in the general fund portfolio. The amortized value of these bonds at year-end was $143.8 million. The market value of these bonds at December 31, 2018 was $144.7 million. This translates into $0.9 million of unrealized gains at year end.

<u>Principal Protected Notes (PPNs)</u>

Principal Protect Notes are a relatively new form of investment and are a safe way for municipalities to participate in the equity market. PPNs are notes of indebtedness issued by a bank, which provide a return profile based on an index (i.e. the TSX Low-Volatility index) or basket of equities without requiring direct ownership in the underlying indexes or equities (the underlying holdings are owned by the issuing bank). PPNs are fixed-income securities that guarantee a minimum return equal to the investor's initial investment if held to maturity. In other words, the principal is protected and the City can never lose its initial investment amount.

PPNs often have a low (or no) annual interest component. However, the upside can be quite significant depending on the "participation rate". The participation rate is percentage that the PPN holder receives compared to the overall increase of the underlying indexes or equities. For example, if a $5 million PPN has a 60% participation rate, that means if the underlying index increased by 50% over the duration of the investment, the holder would receive $6.5 million upon maturity, for a $1.5 million net gain [calculated as: $5 million * (1+ (50% increase * 60% participation rate))].

The participation rate is often determined based on a function of duration and annual coupon payments (i.e. the guaranteed interest amount). The lower the coupon and longer the duration of the note, the higher the participation rate. The highest participation rate of a PPN owned by Markham is 350%.

At December 31, 2018, the City owned 12 PPNs with a combined face value of $69.0 million. The market value of these PPNs at December 31, 2017 was $65.7 million. This translates into $3.3 million of unrealized gains at year end. Note: these are unrealized losses only. If held to maturity, the City will not lose any of its principal invested.

Equity markets saw a significant short term drop at the end of 2018 which impacted the market value of the City's Principal Protected Notes (PPN) holdings. The below chart shows the performance of the S&P/TSX Composite Index from January 2018 to January 2019:

The chart clearly shows a significant drop at the very end of December, which resulted in the unrealized losses on the PPNs. In January, the market has already rebounded approximately 10% from its low point near the end of December. As of January 24, 2019, the market value of the City's PPNs have increased approximately $2.0 million since December 21, 2018.

See Exhibit 5 for all 2018 Bond/PPN transactions and holdings.

Reserve Funds and Other Interest

The following table outlines the interest earned on investments for all major City funds and reserves.

	Average Balance	Interest Earned	Average Rate
General Portfolio	$426,500,000	$13,317,000	3.12%
Reserve Funds (+ve balances)	$228,400,000	$4,543,000	1.99%
Reserve Funds (-ve balances)	($188,500,000)	($6,796,000)	3.61%
Trust Funds	$2,440,000	$67,000	2.75%
Powerstream Promissory Note	$67,900,000	$2,994,000	4.41%
MEC/District Energy Loans	$16,800,000	$872,000	5.19%
Development Charge Reserves	$13,900,000	($37,000)	(0.27%)

Because of the large swing in portfolio balances throughout the year (due to the timing of the collection and disbursement of taxes), there will always need to be a significant portion of the City's funds invested in the money market.

The negative rate of return on the reserve funds is a combination of two factors:

1) The City's Interest Allocation Policy (as approved by Council) stipulates that money market rates be allocated to the interest bearing reserves and bond interest be allocated to the general portfolio. The reasons for this are 1) over the long term, bond rates generally outperform money market rates, therefore the City is able to achieve higher rates of return in its general portfolio and thereby reducing the immediate need for tax increases; 2) bond market rates are more stable which allows for smoother budgeting; and 3) reserves and reserve funds can more easily absorb these money market rate fluctuations as the requirements for these funds are longer term in nature.
2) The Interest Allocation Policy also stipulates that "any reserves or reserve funds with negative balances will be charged at a rate of prime.

The $188.5 million of interest bearing reserves with a negative balance were charged $6.796 million of interest (average interest rate of 3.61%). Note: a negative rate of return simply means that the general portfolio is earning a return by "lending" funds to reserves in a negative balance.

The average rate earned for the Development Charge Reserves is also negative as the general portfolio "loaned" $20 million to the DC Reserves from January 1 to August 1, and another $20 million from February 22 to August 1 at a rate of prime since the reserves would have been in a negative position otherwise. As of August 1, there has been no DC borrowing.

OPTIONS/ DISCUSSION:

Outlook

As the yield curve is fairly flat at the moment, there is little incentive to invest in long duration bonds. The strategy in 2019 will be to keep new investments to shorter durations, except with PPNs where there are incentives of greater participation rates for longer durations. The City still has approximately $170 million in bonds and PPNs locked in past 2019 at generally favourable interest and participation rates, and will continue to search for opportunities to buy and sell when deemed in the best interests of the Markham.

The 2019 investment income forecast is expected to be approximately $13 million to $14 million. The budget is set at $11 million as that is considered to be a minimum level that will be sustainable in the long term. Any interest income earned over the $11 million budget in 2019 will be transferred to reserves at the end of the year.

Housekeeping

As part of the Auditor General's Development Charges audit performed by MNP in 2018, they recommended changes to the Development Charge Borrowing Policy and Investment Interest Allocation Policy to ensure consistency and alignment with City practices.

The City has two policies which address reserves and interest rates:

Development Charge Borrowing Policy; and,

Investment Interest Allocation Policy

The Development Charge Borrowing Policy states:

"Internal Borrowing Interest Rate - The internal borrowing rate will be based on the York Region debenture rate for a similar term as the internal borrowing is estimated to be required."

The Investment Interest Allocation Policy states:

"Interest Bearing Reserves and Reserve Funds - Interest is calculated and allocated monthly. The amount of interest is determined by applying the average money market rate earned by the City in a given month to the previous month's ending reserve balance. Any reserves or reserve funds with negative balances will be charged at a rate of prime."

Staff's practice has been to charge the prime rate when development charge borrowing is deemed to be short-term and the York Region debenture rate when borrowing is deemed to be long-term.

To date, all development charge borrowing has been deemed short-term and therefore the prime rate as per the Investment Interest Allocation Policy has been charged. As of August 1, 2018, there is no development charge borrowing.

KMPG recommended updating the policies to be consistent with the above approach.

Therefore, it is recommended that staff be directed to update the Development Charges Borrowing Policy and the Investment Interest Allocation Policy to reflect that all internal lending to the Development Charges Reserve will be at the prime rate for borrowing deemed to be less than 5 years in duration and at the York Region debenture rate when borrowing is deemed to be over five years in duration.

FINANCIAL CONSIDERATIONS
Not applicable

HUMAN RESOURCES CONSIDERATIONS
Not applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:
Not applicable

BUSINESS UNITS CONSULTED AND AFFECTED:
Not applicable

RECOMMENDED BY:

2019-01-28

X Joel Lustig

Joel Lustig
Treasurer
Signed by: cxa

2019-01-28

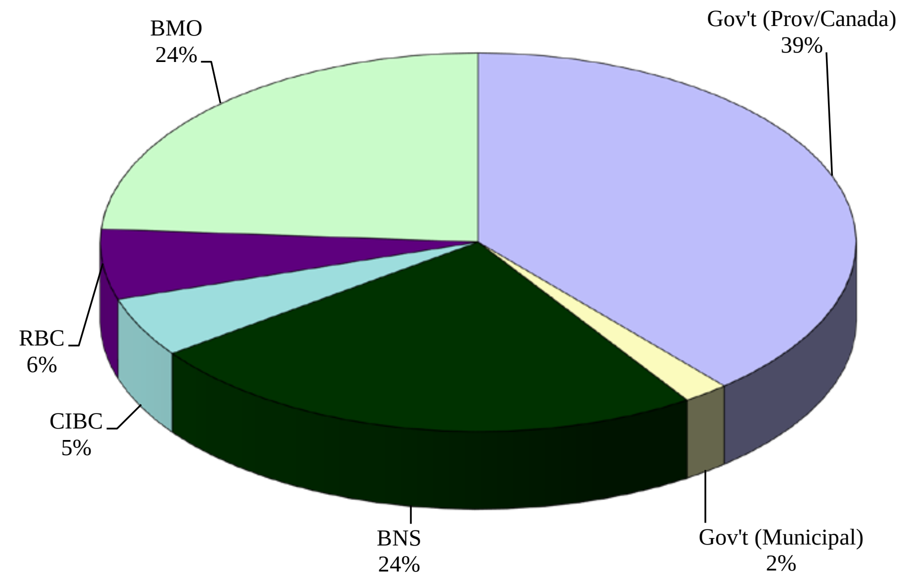
X Trinela Cane

Trinela Cane
Commissioner, Corporate Services
Signed by: cxa

ATTACHMENTS:
Attachment 1:

- Exhibit 1 – Investment Portfolio by Issuer
- Exhibit 2 – Investment Portfolio by Instrument
- Exhibit 3 – Investment Terms
- Exhibit 4 – 2018 Money Market Investments
- Exhibit 5 – 2018 Bond Market Investments
- Exhibit 6 – 2018 DCA Fund Investments

EXHIBIT 1 - INVESTMENT PORTFOLIO BY ISSUER AT DECEMBER 31, 2018

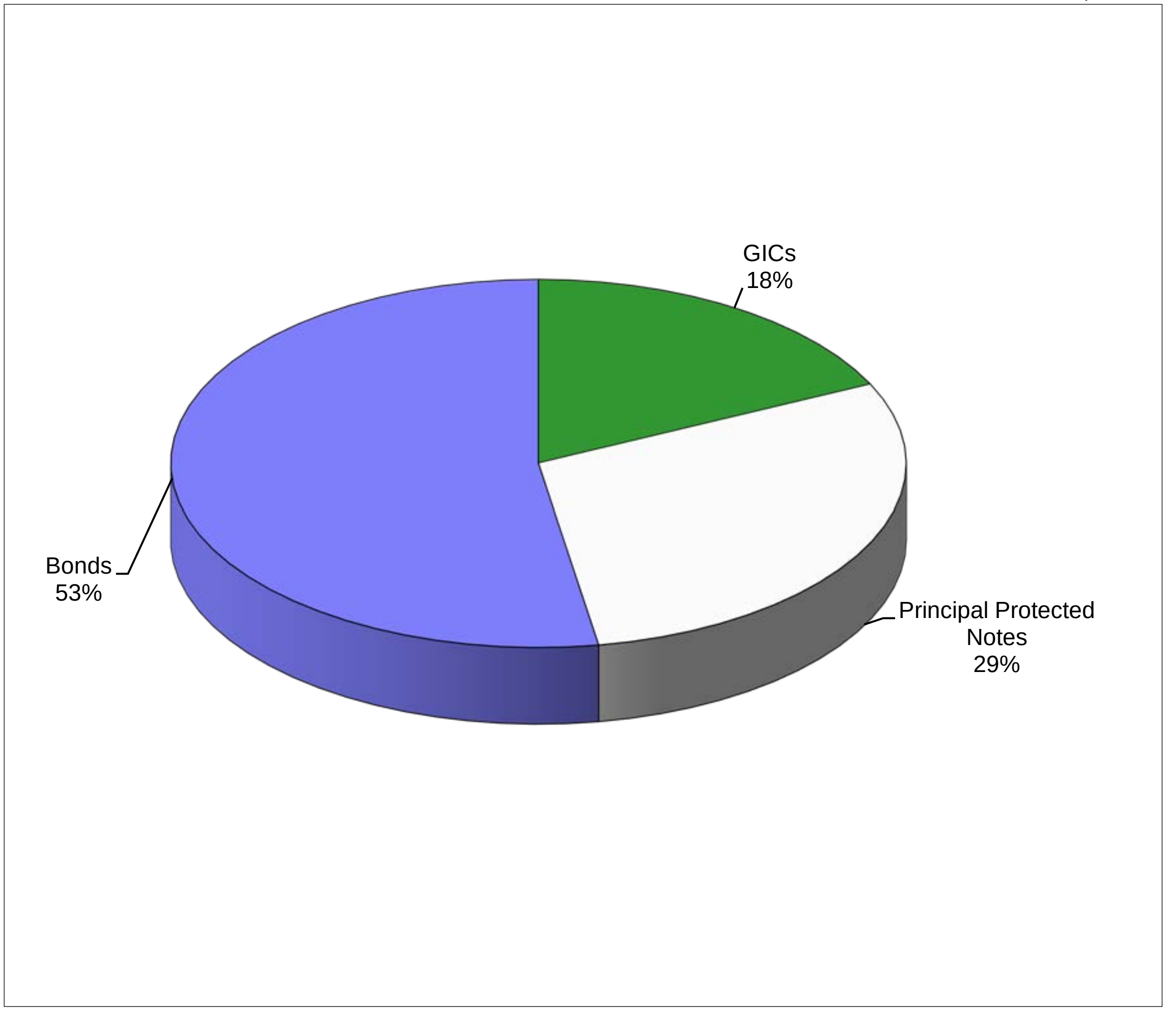


Year-End Portfolio Balance (All Funds; excluding bank balances): $234.3m

	Investment Policy Targets	Portfolio at Dec 31/18
Government (Federal/Provincial)	>40%, no max	39% *
Government (Municipal)	max 30%	2%
Schedule A Banks:		
Bank of Nova Scotia	max 20%	24% *
Bank of Montreal	max 20%	24% *
CIBC	max 20%	5%
Royal Bank of Canada	max 20%	6%
Toronto Dominion	max 20%	0%
Schedule A Banks Total	max 60%	59%
Schedule B Banks:	max 15%	0%
		100%

* The City's Investment Policy allows for deviations of +/- 5% in order to take advantage of market conditions

EXHIBIT 2 - INVESTMENT PORTFOLIO BY INSTRUMENT AT DECEMBER 31, 2018



Year-End Portfolio Balance (All Funds; excluding bank balances): $234.3m

EXHIBIT 3 - INVESTMENT TERMS

INSTRUMENT	ISSUER	INT_RATE	DATE_BGT	DATE_SOLD	BOUGHT	SOLD	LENGTH	W AVG LENGTH	DAYS to MAT	W AVG MAT
BANK BALANCE as of Dec 31, 2018		2.23	31-Dec-2018	01-Jan-2019	126,626,639.00	126,634,375.37	1	126,626,639	1	126,626,639
BOND	BC	4.71	01-May-2009	09-Jan-2019	2,168,745.25	3,387,500.00	3,540	7,299,999,994	9	1,519,999,994
				Less than 1 month	128,795,384	35.7%				
GIC	BMO	2.15	25-Feb-2018	25-Feb-2019	4,000,000.00	4,086,000.00	365	7,299,999,994	56	1,519,999,994
GIC (2020)	BNS	2.16	02-Mar-2018	02-Mar-2019	5,000,000.00	5,108,000.00	365	7,299,999,995	61	1,519,999,995
BOND	BMO	2.16	03-Mar-2018	03-Mar-2019	5,000,000.00	5,000,000.00	365	7,299,999,996	62	1,519,999,996
				Between 1 and 3 months	14,000,000	3.9%				
BOND	YORK	5.09	29-Apr-2009	29-Apr-2019	997,590.00	1,000,000.00	3,652	3,643,198,680	119	118,713,210
PPN	BMO	3.50	17-May-2018	17-May-2019	6,000,000.00	6,000,000.00	365	2,190,000,000	137	822,000,000
BOND	ONT	4.70	26-Aug-2009	02-Jun-2019	3,829,560.00	6,000,000.00	3,567	13,660,040,520	153	585,922,680
BOND	ONT	4.33	15-Jan-2009	02-Jun-2019	5,440,850.00	5,000,000.00	3,790	20,620,821,500	153	832,450,050
BOND	ONT	4.48	30-Jan-2009	02-Jun-2019	3,223,410.00	3,000,000.00	3,775	12,168,372,750	153	493,181,730
BOND	ONT	2.50	21-Jun-2018	21-Jun-2019	2,660,000.00	2,660,000.00	365	970,900,000	172	457,520,000
GIC (2023)	BNS	3.25	01-Aug-2018	01-Aug-2019	10,000,000.00	10,325,000.00	365	3,650,000,000	213	2,130,000,000
GIC (2022)	RBC	3.07	14-Sep-2018	14-Sep-2019	10,000,000.00	10,307,000.00	365	3,650,000,000	257	2,570,000,000
GIC (2019)	BNS	2.60	24-Sep-2018	24-Sep-2019	8,000,000.00	8,208,000.00	365	2,920,000,000	267	2,136,000,000
BOND	BNS	3.30	04-Sep-2013	18-Oct-2019	2,961,000.00	3,000,000.00	2,235	6,617,835,000	291	861,651,000
GIC (2020)	BNS	2.46	20-Nov-2018	20-Nov-2019	5,000,000.00	5,123,000.00	365	1,825,000,000	324	1,620,000,000
BOND	WATERLOO	3.80	30-Nov-2010	30-Nov-2019	1,495,455.00	1,500,000.00	3,287	4,915,560,585	334	499,481,970
BOND	RBC	2.74	12-Mar-2013	06-Dec-2019	4,066,000.00	4,000,000.00	2,460	10,002,360,000	340	1,382,440,000
				Between three months and one year	63,673,865	17.6%				
PPN	BMO	0.00	04-Oct-2016	03-Apr-2020	5,000,000.00	5,000,000.00	1,277	6,385,000,000	459	2,295,000,000
BOND	ONT	4.86	26-Aug-2009	02-Jun-2020	2,400,000.00	4,000,000.00	3,933	9,439,200,000	519	1,245,600,000
BOND	ONT	4.01	17-Aug-2010	02-Jun-2020	2,041,860.00	3,000,000.00	3,577	7,303,733,220	519	1,059,725,340
PPN	BMO	1.25	25-Jun-2014	25-Jun-2020	7,000,000.00	7,000,000.00	2,192	15,344,000,000	542	3,794,000,000
BOND	ONT	4.08	29-Nov-2010	13-Jul-2020	3,401,750.00	5,000,000.00	3,514	11,953,749,500	560	1,904,980,000
BOND	ONT	4.85	15-Jul-2009	02-Dec-2020	2,916,400.00	5,000,000.00	4,158	12,126,391,200	702	2,047,312,800
BOND	BCMFA	4.22	04-Apr-2011	01-Jun-2021	3,492,685.00	3,500,000.00	3,711	12,961,354,035	883	3,084,040,855
BOND	YORK REGION	3.43	18-Nov-2011	30-Jun-2021	2,098,160.00	2,000,000.00	3,512	7,368,737,920	912	1,913,521,920
BOND	CIBC	3.37	19-Mar-2013	07-Jan-2022	3,735,250.00	5,000,000.00	3,216	12,012,564,000	1,103	4,119,980,750
BOND	CIBC	3.32	29-May-2013	07-Jul-2022	3,714,500.00	5,000,000.00	3,326	12,354,427,000	1,284	4,769,418,000
BOND	ONT	4.56	18-Feb-2011	08-Sep-2022	5,975,600.00	10,000,000.00	4,220	25,217,032,000	1,347	8,049,133,200
BOND	ONT	4.52	30-Mar-2011	02-Dec-2022	4,772,000.00	8,000,000.00	4,265	20,352,580,000	1,432	6,833,504,000
BOND	CIBC	3.50	12-Mar-2013	07-Jan-2023	4,493,412.00	6,300,000.00	3,588	16,122,362,256	1,468	6,596,328,816
BOND	ONT	3.59	04-Dec-2013	08-Sep-2023	2,836,040.00	4,000,000.00	3,565	10,110,482,600	1,712	4,855,300,480
BOND	ONT	3.25	01-Nov-2012	02-Dec-2023	2,805,600.00	4,000,000.00	4,048	11,357,068,800	1,797	5,041,663,200
BOND	ONT	3.20	02-Oct-2012	07-Feb-2024	3,499,150.00	5,000,000.00	4,145	14,503,976,750	1,864	6,522,415,600
BOND	ONT	3.53	10-Feb-2014	02-Jun-2024	3,496,950.00	5,000,000.00	3,765	13,166,016,750	1,980	6,923,961,000
BOND	BNS	3.33	26-Jun-2018	26-Jun-2024	4,000,000.00	4,000,000.00	2,192	8,768,000,000	2,004	8,016,000,000
BOND	ONT	3.48	21-Mar-2014	02-Dec-2024	2,774,800.00	4,000,000.00	3,909	10,846,693,200	2,163	6,001,892,400
PPN	BMO	1.00	13-May-2015	13-May-2025	7,000,000.00	7,000,000.00	3,653	25,571,000,000	2,325	16,275,000,000
PPN	BMO	0.00	16-Sep-2015	16-Sep-2025	3,000,000.00	3,000,000.00	3,653	10,959,000,000	2,451	7,353,000,000
PPN	BMO	1.00	30-Dec-2015	30-Dec-2025	7,000,000.00	7,000,000.00	3,653	25,571,000,000	2,556	17,892,000,000
PPN	BMO	0.00	31-Mar-2016	31-Mar-2026	6,000,000.00	6,000,000.00	3,652	21,912,000,000	2,647	15,882,000,000
PPN	BMO	0.00	17-Aug-2016	17-Aug-2026	5,000,000.00	5,000,000.00	3,652	18,260,000,000	2,786	13,930,000,000
PPN	BMO	1.25	23-Feb-2017	23-Feb-2027	5,000,000.00	5,000,000.00	3,652	18,260,000,000	2,976	14,880,000,000
PPN	BMO	1.00	05-Apr-2017	05-Apr-2027	5,000,000.00	5,000,000.00	3,652	18,260,000,000	3,017	15,085,000,000
BOND	ONT	2.81	27-Apr-2016	02-Jun-2028	4,291,440.00	6,000,000.00	4,419	18,963,873,360	3,441	14,766,845,040
BOND	ONT	2.63	13-Dec-2017	02-Jun-2028	7,620,000.00	10,000,000.00	3,824	29,138,880,000	3,441	26,220,420,000
BOND	ONT	3.06	21-Dec-2016	02-Dec-2028	6,959,700.00	10,000,000.00	4,364	30,372,130,800	3,624	25,221,952,800
BOND	ONT	2.93	13-Jan-2017	02-Dec-2028	4,965,800.00	7,000,000.00	4,341	21,556,537,800	3,624	17,996,059,200
PPN	BNS	1.50	31-Dec-2018	31-Dec-2028	7,000,000.00	7,000,000.00	3,653	25,571,000,000	3,653	25,571,000,000
PPN	BMO	1.50	15-Sep-2017	14-Sep-2029	6,000,000.00	6,000,000.00	4,382	26,292,000,000	3,910	23,460,000,000
BOND	ONT	3.11	17-Apr-2018	02-Dec-2029	4,900,700.00	7,000,000.00	4,247	20,813,272,900	3,989	19,548,892,300
BOND	ONT	3.05	18-Jun-2018	02-Dec-2029	4,253,700.00	6,000,000.00	4,185	17,801,734,500	3,989	16,968,009,300
				Over 1 year	154,445,497	42.7%				

Money Market/Cash Balance Portfolio	$	**170,795,384**
Bond/Accrual/PPN Portfolio	$	**190,119,362**
Portfolio Balance Dec 31, 2018 General Fund and Other Reserves (not including DCA)	$	**360,914,746**

Average Length of Investment (days)	**1,892.8**
Weighted Average Days to Maturity	**1,044.1**

APPENDIX 4 - 2018 MONEY MARKET INVESTMENTS (All Funds excluding DCA)

ISSUER	INT RATE	PURCHASE DATE	MATURITY DATE	COST	MATURITY VALUE
CASH BALANCE	2.23	31-Dec-18	01-Jan-19	126,626,639.00	126,634,375.37
BMO GIC	2.15	25-Feb-17	25-Feb-18	4,000,000.00	4,086,000.00
BNS GIC	2.16	02-Mar-17	02-Mar-18	5,000,000.00	5,108,000.00
CIBC GIC	1.45	29-Mar-17	29-Mar-18	40,000,000.00	40,580,000.00
BNS GIC	2.60	24-Sep-17	24-Sep-18	8,000,000.00	8,208,000.00
BNS GIC	2.46	20-Nov-17	20-Nov-18	5,000,000.00	5,123,000.00
BMO GIC	2.15	25-Feb-18	25-Feb-19	4,000,000.00	4,086,000.00
BNS GIC	2.16	02-Mar-18	02-Mar-19	5,000,000.00	5,108,000.00
BNS GIC	3.25	01-Aug-18	01-Aug-19	10,000,000.00	10,325,000.00
RBC GIC	3.07	14-Sep-18	14-Sep-19	10,000,000.00	10,307,000.00
BNS GIC	2.60	24-Sep-18	24-Sep-19	8,000,000.00	8,208,000.00
BNS GIC	2.46	20-Nov-18	20-Nov-19	5,000,000.00	5,123,000.00

APPENDIX 5 - 2018 BOND MARKET INVESTMENTS

BONDS THAT MATURED IN 2018:

ISSUER	COUPON RATE	YIELD	PURCHASE DATE	MATURITY DATE	COST	FACE VALUE
BMO	2.10	2.11	03-Mar-17	03-Mar-18	5,000,000.00	5,000,000.00
ONT	4.20	4.73	29-Oct-08	08-Mar-18	1,928,640.00	2,000,000.00
BMO	6.17	4.57	10-Sep-09	28-Mar-18	2,232,000.00	2,000,000.00
BMO	6.02	5.63	09-Sep-08	02-May-18	1,552,500.00	1,500,000.00
BMO PPN	3.50	3.50	17-May-17	17-May-18	6,000,000.00	6,000,000.00
ONT	4.20	4.29	15-Jul-09	02-Jun-18	1,994,000.00	2,000,000.00
CIBC	6.00	4.21	07-Feb-11	06-Jun-18	2,229,000.00	2,000,000.00
CIBC	6.00	4.23	08-Feb-11	06-Jun-18	1,113,500.00	1,000,000.00
ONT	2.25	2.25	21-Jun-17	21-Jun-18	2,660,000.00	2,660,000.00
TD	5.83	4.18	31-Jan-11	09-Jul-18	3,654,420.00	3,300,000.00
ONT	-	4.39	24-Feb-09	02-Dec-18	1,972,500.00	3,000,000.00

APPENDIX 5 - 2018 BOND MARKET INVESTMENTS

BOLD HOLDINGS at DECEMEBER 31, 2018:

ISSUER	COUPON RATE	YIELD	PURCHASE DATE	MATURITY DATE	COST	FACE VALUE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
BC	-	4.710	01-May-2009	09-Jan-2019	2,168,745.25	3,387,500.00	3,385,941.75	1,540.28
BMO	2.150	2.161	03-Mar-2018	03-Mar-2019	5,000,000.00	5,000,000.00	4,797,500.00	(202,500.00)
YORK	5.000	5.094	29-Apr-2009	29-Apr-2019	997,590.00	1,000,000.00	1,007,330.00	7,408.53
ONT	-	4.704	26-Aug-2009	02-Jun-2019	3,829,560.00	6,000,000.00	5,952,000.00	45,097.09
ONT	5.350	4.334	15-Jan-2009	02-Jun-2019	5,440,850.00	5,000,000.00	5,072,000.00	54,203.15
ONT	5.350	4.479	30-Jan-2009	02-Jun-2019	3,223,410.00	3,000,000.00	3,043,200.00	34,145.24
ONT	2.500	2.500	21-Jun-2018	21-Jun-2019	2,660,000.00	2,660,000.00	2,665,320.00	5,320.00
BNS	3.036	3.300	04-Sep-2013	18-Oct-2019	2,961,000.00	3,000,000.00	3,006,510.00	11,587.85
WATERLOO	3.750	3.796	30-Nov-2010	30-Nov-2019	1,495,455.00	1,500,000.00	1,518,675.00	19,136.83
RBC	2.990	2.740	12-Mar-2013	06-Dec-2019	4,066,000.00	4,000,000.00	4,005,600.00	(3,521.95)
ONT	-	4.858	26-Aug-2009	02-Jun-2020	2,400,000.00	4,000,000.00	3,878,840.00	89,976.54
ONT	-	4.010	17-Aug-2010	02-Jun-2020	2,041,860.00	3,000,000.00	2,912,910.00	51,930.03
ONT	-	4.080	29-Nov-2010	13-Jul-2020	3,401,750.00	5,000,000.00	4,838,200.00	92,901.20
ONT	-	4.850	15-Jul-2009	02-Dec-2020	2,916,400.00	5,000,000.00	4,795,750.00	147,526.62
BCMFA	4.150	4.220	04-Apr-2011	01-Jun-2021	3,492,685.00	3,500,000.00	3,653,475.00	155,215.54
YORK REGION	4.000	3.426	18-Nov-2011	30-Jun-2021	2,098,160.00	2,000,000.00	2,071,600.00	46,109.70
CIBC	-	3.368	19-Mar-2013	07-Jan-2022	3,735,250.00	5,000,000.00	4,544,750.00	(21,475.36)
CIBC	-	3.320	29-May-2013	07-Jul-2022	3,714,500.00	5,000,000.00	4,511,850.00	8,116.39
ONT	-	4.560	18-Feb-2011	08-Sep-2022	5,975,600.00	10,000,000.00	9,133,700.00	418,265.59
ONT	-	4.524	30-Mar-2011	02-Dec-2022	4,772,000.00	8,000,000.00	7,231,040.00	314,860.87
CIBC	-	3.500	12-Mar-2013	07-Jan-2023	4,493,412.00	6,300,000.00	5,571,279.00	10,429.27
ONT	-	3.590	04-Dec-2013	08-Sep-2023	2,836,040.00	4,000,000.00	3,537,160.00	96,122.00
ONT	-	3.251	01-Nov-2012	02-Dec-2023	2,805,600.00	4,000,000.00	3,512,480.00	42,701.54
ONT	-	3.200	02-Oct-2012	07-Feb-2024	3,499,150.00	5,000,000.00	4,368,800.00	43,729.89
ONT	-	3.530	10-Feb-2014	02-Jun-2024	3,496,950.00	5,000,000.00	4,332,300.00	122,748.61
BNS	3.300	3.328	26-Jun-2018	26-Jun-2024	4,000,000.00	4,000,000.00	4,000,000.00	-
ONT	-	3.480	21-Mar-2014	02-Dec-2024	2,774,800.00	4,000,000.00	3,408,360.00	86,310.27
ONT	-	2.809	27-Apr-2016	02-Jun-2028	4,291,440.00	6,000,000.00	4,525,680.00	(143,893.44)
ONT	-	2.630	13-Dec-2017	02-Jun-2028	7,620,000.00	10,000,000.00	7,535,000.00	(323,373.43)
ONT	-	3.060	21-Dec-2016	02-Dec-2028	6,959,700.00	10,000,000.00	7,405,300.00	(69,941.25)
ONT	-	2.930	13-Jan-2017	02-Dec-2028	4,965,800.00	7,000,000.00	5,157,810.00	(143,977.42)
ONT	-	3.110	17-Apr-2018	02-Dec-2029	4,900,700.00	7,000,000.00	4,992,960.00	(35,269.88)
ONT	-	3.050	18-Jun-2018	02-Dec-2029	4,253,700.00	6,000,000.00	4,279,680.00	(55,806.09)
							144,653,000.75	**905,624.20**

PPN HOLDINGS at DECEMEBER 31, 2018:

ISSUER	COUPON RATE	PARTICIPATION RATE	PURCHASE DATE	MATURITY DATE	COST	FACE VALUE	MARKET VALUE	UNREALIZED GAIN/(LOSS)
BMO PPN	-	85%	04-Oct-2016	03-Apr-2020	5,000,000.00	5,000,000.00	4,907,350.00	(92,650.00)
BMO PPN	1.250	70%	25-Jun-2014	25-Jun-2020	7,000,000.00	7,000,000.00	7,255,850.00	255,850.00
BMO PPN	3.500	3.500	17-May-2018	17-May-2019	6,000,000.00	6,000,000.00	5,375,520.00	(624,480.00)
BMO PPN	1.000	110%	13-May-2015	13-May-2025	7,000,000.00	7,000,000.00	6,832,210.00	(167,790.00)
BMO PPN	-	250%	16-Sep-2015	16-Sep-2025	3,000,000.00	3,000,000.00	3,060,600.00	60,600.00
BMO PPN	1.000	150%	30-Dec-2015	30-Dec-2025	7,000,000.00	7,000,000.00	6,715,800.00	(284,200.00)
BMO PPN	-	350%	31-Mar-2016	31-Mar-2026	6,000,000.00	6,000,000.00	5,838,060.00	(161,940.00)
BMO PPN	-	280%	17-Aug-2016	17-Aug-2026	5,000,000.00	5,000,000.00	4,463,500.00	(536,500.00)
BMO PPN	1.250	75%	23-Feb-2017	23-Feb-2027	5,000,000.00	5,000,000.00	4,486,600.00	(513,400.00)
BMO PPN	1.000	100%	05-Apr-2017	05-Apr-2027	5,000,000.00	5,000,000.00	4,432,750.00	(567,250.00)
BNS PPN	1.500	195%	31-Dec-2018	31-Dec-2028	7,000,000.00	7,000,000.00	7,000,000.00	-
BMO PPN	1.500	100%	15-Sep-2017	14-Sep-2029	6,000,000.00	6,000,000.00	5,324,460.00	(675,540.00)
							65,692,700.00	**-3,307,300.00**

TOTAL BONDS AND PPNS	**210,345,700.75**	**-2,401,675.80**

APPENDIX 6 - 2018 DCA FUND INVESTMENTS

ISSUER	INT RATE	PURCHASE DATE	MATURITY DATE	COST	MATURITY VALUE
CASH BALANCE	2.25	31-Dec-18	01-Jan-19	29,254,383.73	29,255,385.59

MARKHAM

Report to: General Committee Meeting Date: February 4, 2019

SUBJECT: Additional City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document

PREPARED BY: John Yeh, Manager, Policy – ext.7922

RECOMMENDATION:

1) That the report entitled "Additional City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document", dated February 4, 2019 be received;

2) That the report entitled "Additional City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document", dated February 4, 2019, be forwarded to the Assistant Deputy Minister of Municipal Affairs and Housing;

3) That the City of Markham work with the Province to streamline the development application process including matters such as public consultation requirements in the approvals process;

4) That the City of Markham request the Province to review their One Window Planning Service for input, review, and approval of planning applications that includes streamlining review processes and utilize technology for enhanced coordination between Ministries; and

5) And that the City of Markham request the Province to amend the *Development Charges Act, 1997 as amended,* to eliminate the 10% reduction for services and reduce the list of ineligible services.

PURPOSE:

This report provides additional recommendations that build on the recommendations endorsed by General Committee on January 21, 2019 regarding the report entitled "City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document".

BACKGROUND:

On January 21, 2019 the General Committee staff report entitled "City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document", addressed the following broad theme areas from the Province aimed at removing the barriers to building new housing:

- Streamlining development approvals;
- Relaxing restrictions to allow a mix of housing where it is needed;
- Lowering the costs of government imposed fees and charges;

- Improving the rental housing system for landlords while protecting tenant rights; and
- Identifying opportunities and innovations to increase housing supply.

The staff report broadly discussed issues related to:

- Length of development approvals related to infrastructure approvals from other levels of government;
- Compliance with provincial building code standards;
- Improving coordination of development approvals with other levels of government
- The need for purpose-built rental housing that is affordable to middle-income households
- Allowing municipalities to recover the full share of growth related housing costs to make it easier to ensure service land can be available in the right places for housing;

The recommendations endorsed on January 21, 2019 by General Committee and the staff report entitled "City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document" were submitted to the Province on January 25, 2019 prior to the commenting deadline as follows. The January 21, 2019 General Committee staff report and recommendations were approved by Council on January 29, 2019.

- That Markham City Council does not endorse or support proposed changes to the *Development Charges Act, 1997, as amended,* to reduce the infrastructure recoverable through development charges, and that any changes should ensure that growth pays for growth and does not create a greater financial burden on existing property tax payers;

- That the City of Markham offer to work with the Province to establish creative solutions to affordable housing and home ownership, including secondary suites, and grant municipalities greater control in applying those solutions;

- That Markham City Council request that the Province extend the timeline for providing comments for an additional 30-days in order to provide meaningful proposed solutions from municipalities, the development industry and members of the public; and

- That Markham City Council request that the Province immediately undertake process reviews to streamline the development process especially as it relates to three areas of importance: 1) streamlining the Ministry of Transportation permitting process; 2) revamping the environmental assessment process to be more effective and efficient; 3) examining the permitting and reporting processes at the conservation authorities to comment on applications in a more timely manner.

OPTIONS/ DISCUSSION:

Building on these recommendations, the following section describes additional recommendations for the Province to consider as input to increasing housing supply.

1. That the City work with the Province to streamline the development application process including matters such as public consultation requirements in the approvals process

Public consultation is an important component of the application process but there could be ways to streamline public consultation to ensure more timely decisions which include providing flexibility for public notification requirements for certain types of planning applications.

2. That the Province should review their One Window Planning Service for input, review, and approval of planning applications that includes streamlining review processes and utilize technology for enhanced coordination between Ministries

There is efficiency in the Province's One Window Planning Service by coordinating application reviews through the Ministry of Municipal Affairs and Housing but improvements are needed with clarity in timing, coordination, and consistency with obtaining comments from other Ministries.

3. That the Province amend the *Development Charges Act* to eliminate the 10% reduction for services and reduce the list of ineligible services

Council has endorsed in the past that growth should pay for growth and there should be no changes to the *Development Charges Act 1997, as amended, (DCA)* to reduce eligible costs to services currently being recovered for. As noted from the January 21, 2019 General Committee report "City of Markham Comments on the Province's Increasing Housing Supply in Ontario Consultation Document", there is no evidence that lower development charges will result in an increase in housing supply. Development charges represent approximately 5-7% of the price of a new single-family home in the Greater Toronto Area ("GTA") and Ottawa. Changes to the DCA should focus on eliminating the 10% reduction for services such as indoor recreation and park development and reducing the list of ineligible services to ensure growth pays for growth, such as hospitals.

The Province in their consultation document listed barriers to new housing supply and included cost as one such barrier. The document stated that, "Development costs are too high because of high land prices and government-imposed fees and charges". Submissions to the Province by the Association of Municipalities Ontario ("AMO") and the Municipal Finance Officers' Association ("MFOA") support the City's position that reducing development charges will not improve housing affordability. They concur that a reduction in development charges will:

- not improve housing affordability as land economics show that the market sets housing prices and factors such as population growth, income growth, interest rates and the general state of the economy have the most significant impact on housing demand and pricing
- not result in a decrease in the cost of growth-related infrastructure. This cost will instead be transferred from developers to new and existing homeowners through

higher property taxes and utility rates thereby increasing the overall cost of housing for everyone, including low income families and seniors
- result in municipalities having less funds available to put infrastructure in place to support new development in a timely manner.

AMO and the MFOA are also in agreement that growth should pay for growth and currently development charges do not cover the cost of growth-related capital infrastructure and the shortfall is being subsidized by property taxes. Attached are the submissions to the Province by AMO (Appendix A) and the MFOA (Appendix B and C).

Markham will continue to work with the Province to explore ways to increase the housing supply including purpose-built rental and affordable housing while ensuring growth pays for growth. Staff will continue to monitor Provincial activities related to planning and housing initiatives that may inform further comments regarding increasing the supply of housing. It is recommended Council express its support for the additional recommendations contained in this report on the Province's Increasing Housing Supply in Ontario Consultation Document.

FINANCIAL CONSIDERATIONS
Not Applicable

HUMAN RESOURCES CONSIDERATIONS
Not Applicable

ALIGNMENT WITH STRATEGIC PRIORITIES:
The recommendations in this report support the City's efforts to manage growth and ensure a fiscally prudent and efficient municipality which are key elements of the Safe & Sustainable Community and Stewardship of Money & Resources strategic priorities.

BUSINESS UNITS CONSULTED AND AFFECTED:
Comments from Planning and Finance Departments were included in this report.

RECOMMENDED BY:

Arvin Prasad
Commissioner, Development Services

ATTACHMENTS:
Appendix A – AMO – The Importance of Development Charges
Appendix B – MFOA – Who Pays for Growth?
Appendix C – MFOA Technical Response to: Increasing Housing Supply in Ontario, A Consultation Document

Association of Municipalities Ontario

The Importance of Development Charges

Submission to the Minister of Municipal Affairs and Housing on "Increasing Housing Supply in Ontario" consultations

January 31, 2019

The government has launched a consultation to, "increase the supply of housing in Ontario" and to "address barriers getting in the way of new ownership and rental housing." According to the government, one of the key barriers to new housing supply is "Cost: Development costs are too high because of high land prices and government-imposed fees and charges." Any added restrictions on the use of development charges (DCs) will have major implications for municipal governments.

Development charges are a major source of revenue for **cost recovery** that funds the infrastructure needed for Ontario's growing communities. In 2017, 197 municipal governments collected about $2.3 billion in development charge revenue.

At present, development charges only cover about 80% of the costs of growth-related capital. They are used throughout Ontario and especially in high growth areas. That means property taxes are currently subsiding the cost of growth and municipalities are currently falling short of achieving the principle, "growth should pay for growth." As a recent paper from the Institute on Municipal Finance and Governance at the University of Toronto noted, "[the] burden on existing ratepayers is not only inequitable, but also leads to inefficiently low municipal service levels and other related problems for municipalities and the development industry."

Inadequate DC revenue will have negative consequences for the province, not just municipalities. The Association of Municipalities of Ontario urges the government to consider these three key points:

1. Development charges are not a root cause of the affordable housing and supply challenge in Ontario. Even further to the point, DCs only apply to only a small part of the housing market – new homes. DCs represent between 5 – 7% of the cost of a new home.

2. A reduction in development charge collections will increase the cost of public services for all residents. This will increase pressure from taxpayers to constrain growth and to constrain demands on the already stretched property tax dollar.

3. Municipal governments and current property taxpayers do not have means to subsidize developers in building new homes. Changes that reduced development charges has never resulted in reduced housing prices.

The affordability question

1. Development charges are not a root cause of the affordable housing and supply challenge in Ontario.

Where used, development charges only account for between 5-7% of the price of a new home. The cost of lumber and supplies, interest rates, economics, land costs, and developer profits are significant factors when it comes to the cost of a new home. A recent study by the Royal Bank and the Pembina Institute concluded that, with respect to DCs, "the increase in these charges accounts for only a small fraction of the increase in home prices."

In addition, experience has taught that DC reductions are not passed on to the home buyer. For example, Ottawa experimented with offering DC concessions in a specific area. The concessions offered did not lower the price of housing compared to other areas in the city. In the GTA, on the border of two municipalities, with different development charge programs, the municipality with lower DCs in fact has higher housing prices. These examples add to the embedded skepticism that exists about the interests and actions of the industry to reduce house prices.

Lowering DCs will not lower housing prices nor increase land supply. Reducing DCs could exacerbate housing issues and create further barriers to long-term municipal financial sustainability.

Taxpayer Equity and Municipal Sustainability

2. A reduction in development charge collections will increase the cost of public services for all residents. This will increase pressure from taxpayers to constrain growth to constrain demands on the already stretched property tax dollar.

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, through increased annual property taxes, would be unaffordable for many. Existing taxpayers and ratepayers would have to fund the cost of 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.

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 and user rates. Shortchanging the public services that the people of Ontario depend on is no way to build the communities people want to live in. Development charges are the right tool to fund the services needed for growth in Ontario.

Specific to the issue of water and wastewater infrastructure, it has been suggested that DCs should not be used to recover growth-related capital costs associated with water and wastewater infrastructure. This is a poorly thought out suggestion which would have the following impacts:

- It will reduce a municipality's ability to finance the essential infrastructure needed for growth to occur;
- It will reduce the supply of serviced land;
- It will unfairly affect existing homeowners, who would see large increases in their water rates to pay for infrastructure that does not benefit them;
- Municipal efforts to properly fund asset management plans would likely be compromised because 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 issued debt that is funded by future development charge revenue; and
- Higher water rates would reduce affordability for the people of Ontario, including seniors and lower income residents.

Cumulative Impact

3. Municipal governments and current property taxpayers do not have means to subsidize developers in building new homes.

As noted above, property taxpayers are already subsiding growth. Ontarians already pay the highest property taxes in county. What ancillary impacts will be further placed on others in a community? How much higher should property taxes go? How high is too high?

We also have to consider the perspectives of Ontarians:

- Six in ten say improving the state of roads, bridges, and transit is a high priority.
- Seven in ten say they are concerned that current property taxes will not cover the cost of local infrastructure and municipal services.
- More than eight in ten Ontarians say they would be concerned if the province placed new demands on municipal governments that result in higher property taxes.

Ontarians understand the limits of the property tax system and they understand that an infrastructure gap exists in their community. Much of what makes Ontario an attractive place to live, start a family and open a local business is public infrastructure.

AMO estimates municipal governments need an additional $4.9 billion per year for ten years to continue delivering today's services and to close the infrastructure gap. This need is on top of inflation-adjusted property tax and user fee increases over the next ten years.

Mandating reductions in the collection of DCs will compound existing municipal financial challenges. Reductions would hamper the aspirations of Ontarians to continuously improve the state of infrastructure in their communities and close the gap.

Conclusion

AMO was pleased to make presentations to the Minister of Municipal Affairs and Housing on the importance of development charges as a financial underpinning of municipalities, and especially high growth communities. AMO and the Municipal Finance Officers Association were pleased to recently assemble treasurers from a wide assortment of municipal governments, to inform the provincial government's deliberations on this issue, at two different occasions.

The Municipal Finance Officers Association has provided a very detailed paper to the government on this issue. Similarly, the Institute on Municipal Finance and Governance at the University of Toronto has also recently published a paper on development charges. A key quote from that paper bear mentioning: "Both municipalities and the development industry are stronger when growth-related capital costs are recovered by DCs set within well-structured municipal funding regimes."

We urge the government to consider the above points and submissions. The government must ensure that unintended consequences of a policy change do not exacerbate the availability and supply of housing in Ontario, nor existing municipal financial challenges.

Who Pays For Growth?

MFOA

With changes to development charges, YOU could be paying more

Development charges are fees collected on new development and are currently the primary funding source for infrastructure needed to service growth.

If you're a growing municipality, chances are your community needs new infrastructure to accommodate new residents and businesses.

That's because when most infrastructure was originally built, no one could predict the way communities would grow.

For example, a pipeline meant for a population of 10,000 can't handle more people without upgrading or building new infrastructure.

These changes cost money.

How is growth-related infrastructure paid for?

PRE-1980s

Primarily funded by federal and provincial governments

In the past, the provincial and federal governments paid for infrastructure upgrades.

PRESENT

Primarily funded from growth

However, in the late 1990s, the province changed legislation which transferred 20% of the cost of growth-related infrastructure to existing residents with 80% coming from developers.*

*Watson & Associates' 2010 study, "Long-term Fiscal Impact Assessment of Growth: 2011-2021," for the Town of Milton.

POSSIBLE FUTURE

With low development charges:
Primarily funded from existing taxpayers and business owners

Now the province is exploring changes to legislation. If these changes lead to lower development charges, then existing residents and businesses will pay for growth through higher property taxes and utility rates.

Reducing development charges does not make housing more affordable.

Instead, it would be:

ONE

EXPENSIVE

- Reducing development charges does not decrease the cost of growth-related infrastructure.
- It transfers the cost to existing homeowners, which includes low-income families and seniors. Significant increases in housing costs would be unaffordable for many.

TWO

INEFFICIENT

- There is no evidence that shows reductions in development charges being passed directly to homebuyers through drops in house prices. House prices are set through market demand.

THREE

INEFFECTIVE

- It will result in higher property taxes and utility rates for municipalities with new development, to cover funds for infrastructure not recovered through development charges.
- It provides a disincentive for residents to support new housing.

FOUR

COUNTERPRODUCTIVE

- Municipalities are already struggling to meet their current infrastructure demands. Without development charges, growth projects would compete with other municipal projects. Municipalities may not have the funds available to put the infrastructure in place needed for development to occur in a timely way.
- Reducing development charges would reduce growth.

Someone has to pay for infrastructure if growth is going to occur.

The question is who?

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

Municipal Finance Officers' Association

January 2019

Table of Contents

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

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[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

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[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.

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[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]

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[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 disproportionally 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

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[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

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[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.

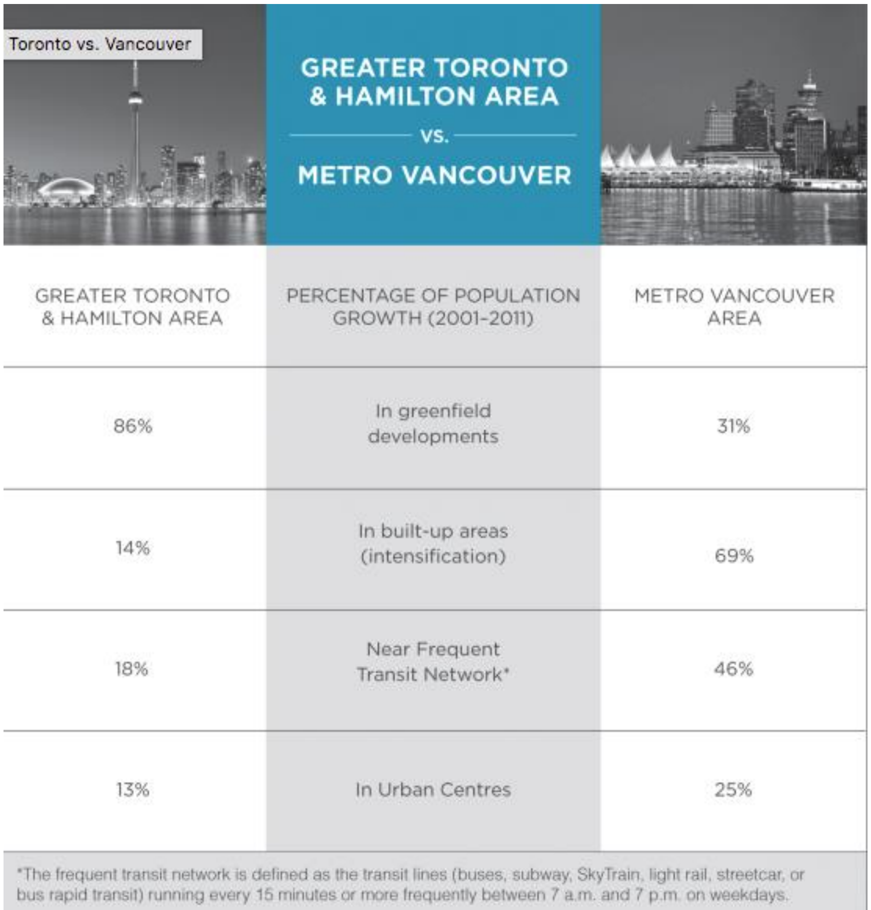
> Major investments to transportation infrastructure have been made since the release of the first Growth Plan in 2006. However, much of the Designated Greenfield Areas are not proximal to existing or planned higher-order transit. This has resulted, in some cases, development being limited due to the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


Toronto vs. Vancouver

GREATER TORONTO & HAMILTON AREA vs. METRO VANCOUVER

GREATER TORONTO & HAMILTON AREA	PERCENTAGE OF POPULATION GROWTH (2001-2011)	METRO VANCOUVER AREA
86%	In greenfield developments	31%
14%	In built-up areas (intensification)	69%
18%	Near Frequent Transit Network*	46%
13%	In Urban Centres	25%

*The frequent transit network is defined as the transit lines (buses, subway, SkyTrain, light rail, streetcar, or bus rapid transit) running every 15 minutes or more frequently between 7 a.m. and 7 p.m. on weekdays.

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 Filipowwicz, “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]

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[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.

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[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.

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[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.