

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

General Committee  
January 21, 2019

# Agenda

1. Background
2. General Comments
3. Financial Impacts
4. Recommendation
5. Next Steps

# 1. Background

- In November 2018, the Provincial Government announced that it is taking steps to make it easier and faster to build housing of all types and reduce the cost of renting or buying a home.
- The Provincial Government is developing a Housing Supply Action Plan that is intended to address the barriers getting in the way of new ownership and rental housing.
- The Province is currently seeking input on the Increasing Housing Supply Consultation Document.

# 1. Background cont'd

The consultation paper focuses on five broad themes aimed at removing the barriers to building new housing with a particular focus on new private market housing

## Themes:

1. Streamlining development approvals
2. Relaxing restrictions to allow a mix of housing where it is needed
3. Lowering the costs of government imposed fees and charges
4. Improving the rental housing system for landlords while protecting tenant rights
5. Identifying opportunities and innovations to increase housing supply

## 2. General Comments

While the City is generally supportive of the development of a new provincial action plan to improve the housing supply across Ontario, any new provincial actions aimed at:

- streamlining development approvals;
- relaxing restrictions on land supply available for new housing; and
- lowering the cost of government-imposed fees and charges;

must be carefully balanced to ensure there are no negative impacts on existing communities within Markham.

## 2. General Comments cont'd

In particular, any new provincial actions to increase the supply of new housing should continue to:

- protect the health and safety interests of residents;
- protect environmentally and culturally sensitive areas;
- support economic development by maintaining a sufficient supply of employment and agricultural lands;
- ensure the costs of constructing new development are not transferred to existing homeowners, households and businesses; and
- protect existing tenants

## 2. General Comments cont'd

The City generally supports the development of a provincial housing supply action plan, including actions aimed at:

- streamlining development approvals, particularly Provincial approvals, provided the City retains the authority to ensure new housing developments conform to local standards;
- creating housing solutions such as the provincial inclusionary zoning and secondary suite regulations that provide options for the City to address the right mix of housing where it is needed; and
- developing creative housing strategies that specifically address issues of housing mix, location and affordability for all income and housing needs.

## 3. Financial Impacts

- The consultation document makes a claim that “government-imposed costs...make it more difficult and expensive to develop new housing”
- Based on further consultation questions provided by the Province and a session that was held on January 9, there is speculation that the Province is looking at reducing municipalities’ ability to recover growth-related infrastructure costs through Development Charges (“DCs”)



## 3. Financial Impacts cont'd

### • Background – Development Charges

- Governed by the *Development Charges Act, 1997, as amended (DCA)* and its accompanying Regulation, O. Reg. 82/98
- Funds new capital infrastructure only
- The maintenance and replacement of facilities and infrastructure are funded through tax dollars, not development charges
- There are services ineligible for DC funding as well as a 10% discount on some services
- So already growth doesn't pay for growth
  - Institute on Municipal Finance & Governance (IMFG) and Neptis Foudation in a publication "*Development Charges in Ontario: Is Growth Paying for Growth?*" by Adam Found, argues that the DCA does not produce this ideal and fair outcome due to various exemptions, discounts, omissions and restrictions

## 3. Financial Impacts cont'd

- Eligible growth-related services which can be funded 100% from development charges:
  - Water
  - Waste Water
  - Storm Water Drainage and Control
  - Roads and Related Works
  - Fire Protection
  - Public Works – e.g. Fleet, Works Yard
- Eligible Markham growth-related services that require 10% funding from non-DC sources (as it is deemed there is some benefit to existing taxpayers):
  - General Government – e.g. DC Background Studies
  - Library Services
  - Indoor Recreation
  - Park Development and Facilities – e.g. Soccer Fields
  - Waste Management

## 3. Financial Impacts cont'd

- Ineligible services that are excluded from development charges:
  - Cultural and entertainment facilities including museums, theatres, and art galleries
  - Tourism facilities including convention centres
  - Parkland acquisition including open spaces, woodlots and trails (except land for indoor recreation buildings)
  - Hospitals
  - Landfill sites and services
  - Facilities and services for the incineration of waste
  - Headquarters for general administration of municipalities and local boards

## 3. Financial Impacts cont'd

### Possible Provincial Action:

- Decrease the DC recoverable costs for services (i.e. increase the 10%)
- Expand the ineligible services list (e.g. Water and Wastewater as per a recent C.D. Howe report)

### Markham's response:

Any initiative by the Province to increase housing supply by reducing development charges would be:

- Counterproductive
- Inefficient
- Ineffective
- Expensive

## 3. Financial Impacts cont'd

### Markham's response (continued):

#### *Counterproductive:*

- Reducing or further restricting development charges could reduce housing supply, not increase it. Municipalities may not have the funds available to put the infrastructure in place needed for development to occur in a timely way
  - *Ryerson University's Dr. Frank Clayton writing on supply issues noted that, a decrease in DCs will further hamper municipalities ability to put infrastructure in place in a timely manner*

## 3. Financial Impacts cont'd

### Markham's response (continued):

#### *Inefficient:*

- There is no known evidence that shows reductions in DCs would be passed directly to homebuyers through a reduction in new house prices
- Land economics shows that the market sets housing prices and that macroeconomic 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
  - *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."*

## 3. Financial Impacts cont'd

Markham's response (continued):

*Ineffective:*

- Existing taxpayers and ratepayers would have to fund the cost of infrastructure not recovered through DCs resulting in higher property taxes and utility rates creating a disincentive for residents to support new housing
- For example, if the Province makes Water and Wastewater ineligible services, York Region and Markham would need to recover the costs of new water infrastructure (and the Region's debt related to pre-emplacing water infrastructure) from the water rate
- DCs on a single detached home would likely decrease from approx. \$102,000 to approx. \$72,000 (almost solely on the Region's portion), but there is no evidence to suggest any of that decrease would be passed onto the home buyer
- It is estimated that an average Markham household would see **an increase of approximately \$700/year** (an average household currently pays approx. \$975/year)
- At these rates, an average household's water bill would be higher than the Markham portion of their tax bill

## 3. Financial Impacts cont'd

Markham's response (continued):

*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 total cost of housing would be unaffordable for many
- The net result of decreasing DCs could be to increase the profit margins of developers and increase taxes/utility rates of all residents and businesses (including the new home buyers)



## 3. Financial Impacts cont'd

### Growth should pay for growth

- There should be no changes to reduce the infrastructure now being recovered for through DCs
- If there are changes, this should include eliminating the 10% reduction in some services and reducing the list of ineligible DC services

Recovering for the full share of growth-related costs will allow municipalities to better ensure the availability of serviced lands in the right places for housing

## 4. Recommendation

- That Council express its support for the development of a Provincial Housing Supply Action Plan, subject to the comments outlined in the report entitled “City of Markham Comments on the Province’s Increasing Housing Supply in Ontario Document”
- That General Committee approve the report to be forwarded to the ADM of Municipal Affairs and Housing by Jan 25, 2019, prior to the meeting of Council being held on Jan 29, 2019
- That Council does not endorse or support 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

## 5. Next Steps

- January 21<sup>st</sup> – Meeting with the Province, Municipalities and the development industry to discuss development charges and housing supply; intent is to hopefully find common ground
- Staff will provide further analysis/comments to Development Services Committee once a draft Provincial Housing Supply Action Plan is released by the Province
- Staff will provide separate analysis/comments to Development Services Committee on proposed provincial actions regarding:
  - Affordable and Rental Housing Initiatives including Inclusionary Zoning
  - Bill 66 – Restoring Ontario's Competitiveness Act, 2018
  - Amendments to the Growth Plan for the Greater Golden Horseshoe, 2017