



Report to: General Committee

Meeting Date: January 21, 2019

---

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

**PREPARED BY:** Kevin Ross, Manager, Development Finance – ext. 2126  
Murray Boyce, Senior Policy Coordinator – ext. 2094

**REVIEWED BY:** Mark Visser, Senior Manager, Financial Strategy & Investments  
Marg Wouters, Senior Manager, Policy and Research

---

**RECOMMENDATION:**

- 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;
- 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;
- 3) That General Committee approve the report to be forwarded 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;
- 4) 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) And that staff be authorized and directed to do all things necessary to give effect to this report.

**EXECUTIVE SUMMARY:**

To inform the development of a Housing Supply Action Plan, the Province is seeking input on what measures the Province can take to increase the supply of new ownership and rental housing in Ontario.

While Markham is generally supportive of the development of a new provincial Action Plan to improve the housing supply across Ontario, any 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 in Ontario.

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.

Staff will continue to work with the Province on ways to increase the housing supply within the existing provincial growth management framework.

It is recommended that this report be forwarded to the Province in response to the request for comments on the Increasing Housing Supply in Ontario consultation document and that Council express its support for the development of a Provincial Housing Supply Action Plan, subject to the comments raised in the report. Further comments will be provided once a draft Housing Supply Action Plan is released.

**PURPOSE:**

This report provides General Committee and Council with information regarding the Province's consultation document on Increasing the Housing Supply in Ontario. The City's response to the questions outlined in the document will be sent to the Assistant Deputy Minister of Municipal Affairs and Housing.

**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. In addition to exempting new units from Rent Control and ending the Development Charges Rebate Program, the provincial government is developing a Housing Supply Action Plan that is intended to address the barriers to new ownership and rental housing. It will include measures that the Province can take to increase the supply of new ownership and rental housing.

The Province is currently seeking input on the Increasing Housing Supply Consultation Document contained in Appendix 'A' to this report. The consultation focuses on the mid-range income households where the private sector is currently not delivering a product that is affordable. It does not cover provincial initiatives specifically related to community housing (i.e., social or assisted housing); however, a new Housing Supply Action Plan may have a positive impact on community housing providers by making it easier to develop new housing, or by easing some of the pressure on waitlists.

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:

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; and

---

5. Identifying opportunities and innovations to increase housing supply.

OPTIONS/ DISCUSSION:

Comments on Increasing Housing Supply Consultation Document:

The comments below are organized according to the five themes and corresponding statements made in the consultation document.

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

The development approvals process can be time consuming, difficult to navigate and involve significant compliance issues. In Markham, issues related to the length of development approvals often relate to infrastructure approvals (where approvals must be obtained from other levels of governments), and compliance with current provincial building code standards.

In an effort to streamline the approval of new housing, City staff will continue to look at ways to improve coordination of development approvals with other levels of government (i.e., the Province, Toronto and Region Conservation Authority, York Region) and fast track applications for new affordable and rental housing. At the same time, staff will continue to work with the Province on streamlining the building permit approval process.

While staff support provincial efforts to further streamline the development approvals process, any proposed changes must be made with the agreement of City planning staff and building officials to ensure that Markham retains the authority to ensure that new housing developments conform to local standards.

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

The City's Official Plan already provides a broad mix of housing types across Markham including low rise townhouses and mid-to-high rise apartment buildings which could provide units that are affordable to middle-income households. However, high land costs can often further restrict the unit mix found in these housing types, particularly where they are needed in Markham's intensification areas such as Markham Centre and key development areas along the Highway 7 rapid transit corridor.

In Markham, rental housing is primarily provided through the secondary rental market (which are individually rented dwelling units in condominium apartment buildings or ground related dwellings including secondary suites). While the investor-owned condominium rental market continues to provide for a significant sources of rental housing, the private sector is not delivering a product like purpose-built market rental housing that is affordable to middle-income households.

Markham will continue to work with the Province and York Region on inclusionary zoning and financial incentives to promote the development of a greater mix of housing units including new family sized condo and apartment units and non-luxury rental housing that is affordable to middle-income households. The City supports the inclusionary zoning regulation introduced by the Province and will be moving forward with development of

---

options for inclusionary zoning that will require large-scale development to include a greater mix of affordable and rental housing units.

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

The discussion paper indicates that some stakeholders have raised concerns that the high price of serviced land and government-imposed costs (e.g., development charges, planning and building approval fees) make it difficult and expensive to develop new housing.

In early December 2018, the Province sent invitations to stakeholder groups to participate in a consultation session which was held on January 9, 2019 to gather feedback on the Province's development charges framework with a view to increasing housing supply. The invitation stated that there is a need to balance efforts to lower the costs of development with building and maintaining vital public infrastructure. To assist in the consultation, the Province shared seven (7) questions related to municipal development charges calculations and process which would form the basis of the discussion. These questions along with the responses are attached as Appendix 'B'.

Development charges ("DCs") are costs levied on new residential and non-residential development and, these revenues are used to fund infrastructure (i.e., roads, watermains, sanitary sewers, fire stations, parks) that are required to support growth. The intent is that growth should pay for growth. The consultation seems to be based on the premise that development charges form a part of government-imposed fees that increase the cost of serviced land and housing.

Based on information received from the Municipal Finance Officers' Association, DCs represent approximately 5-7% of the price of a new single-family home in the Greater Toronto Area ("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."

There is no evidence that lower development charges, or no development charges, reduce the price of housing or results in greater housing supply. 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.

DCs in Ontario are a highly regulated, highly prescriptive cost recovery mechanism, with detailed accountability and reporting requirements, and are the only revenue source available other than property taxes and user rates to recover the cost of infrastructure needed to support the development of new housing and employment lands.

Reducing DCs will not lower housing prices or increase land supply. Reducing DCs may actually result in complexities that could further exacerbate housing issues and create significant challenges to long term municipal financial sustainability.

---

Reducing DCs would be:

- a) *Counterproductive:* Reducing or further restricting development charges could reduce housing supply, not increase it. Less funding from DCs means more competition for growth related projects from other demands on property taxes and user rates. Municipalities may not have the funds available to put the infrastructure in place needed for development to occur in a timely way.
- b) *Inefficient:* There is no known evidence that shows reductions in DCs would be passed directly to homebuyers through a reduction in new house prices.
- c) *Ineffective:* 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.
- d) *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.

Lowering the cost of development for new housing should not be focused on municipal charges as these make up a small percentage of the overall cost of a home. By reducing the infrastructure that can be funded through DCs, this will lead to an increase in taxes or water rates as these are the only other sources of funding. Existing homeowners will end up paying for infrastructure that does not benefit them and, opposition to these rate increases and housing growth may occur as homeowners become more aware that growth is resulting in increases to their water and/or property tax rates.

As an illustrative example, it has been recently suggested in a report from the C.D. Howe Institute that DCs should not be used to recover growth-related capital costs associated with water and wastewater infrastructure. If DCs are not used to finance this growth infrastructure, the City (and York Region) will be forced to either a) not construct the infrastructure, thereby reducing the supply of serviced land, or b) move these costs over to the water rate. Based on preliminary calculations, moving Markham and York Region growth related infrastructure costs (and debt) to the water rate would result in an impact of approximately \$700 per household per year over the next 20 years (this amount would decrease after York Region pays off its debt in 20 years). If this increase is applied, an average household's water bill would be higher than Markham's portion of their tax bill.

If the City has a reduced ability to finance growth-related infrastructure and there is an increased opposition to growth, this will only serve to delay or pause development and intensify housing supply problems. City staff are of the view that growth should pay for growth and there should be no changes to the Development Charges Act to reduce the infrastructure currently being recovered for. If there are any changes contemplated, these should focus on eliminating the 10% reduction for services such as indoor recreation and park development, and removing or reducing the list of ineligible services that includes

---

hospitals. By allowing municipalities to recover the full share of growth related costs, it makes it easier to ensure serviced land can be available in the right places for housing.

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

Rental housing is primarily provided through the secondary rental market (which are individually rented dwelling units in condominium apartment buildings or ground related dwellings including secondary suites). Currently, the private sector is not delivering a purpose-built rental housing product that is affordable to middle-income households.

Markham supports creative housing solutions such as the provincial inclusionary zoning regulation to increase the supply of purpose-built rental developments, and the provincial secondary suite regulation which provides homeowners in new housing developments with the opportunity to create legal secondary suites and new rental housing supply.

Overall, the current rental housing process could be made to work better for landlords through a system of landlord education, particularly for smaller landlords who might benefit from services designed to educate and provide best practices on the range of issues landlords and their tenants face. At the same time, helping tenants understand their obligations and rights could enhance tenant protection against unlawful evictions and poorly maintained housing.

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

Markham is committed to working with the private sector to develop innovative forms of homeownership including encouraging shared ownership or rent-to-own models of homeownership, and providing homeowners in new housing developments with the opportunity to create legal secondary suites and new rental housing supply.

The City will continue to support the Province in the development of creative housing strategies that specifically address issues of housing mix, location and affordability for all income and housing needs. It is important that 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.

#### Conclusion

While the City is generally supportive of the Province's actions to improve the housing supply across the Ontario, any 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 or counter-productive impacts on existing communities in Ontario.

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 building new housing are not transferred to existing homeowners and households; and
  - protect existing tenants.

Markham has provided a leadership role in building new compact and sustainable complete communities demonstrating well-designed, compact urban development, accommodating both a mix and range of housing and jobs with convenient access to public transportation, while preserving and enhancing the natural environment where appropriate.

The City has spent the last 25 years carefully aligning the development of our new communities such as Markham Centre and Cornell with provincial growth management initiatives that promote intensification and higher densities to make efficient use of land and infrastructure and support transit viability. At the same time, Markham has ensured that sufficient land has been provided for the planning of new communities on future urban area lands to accommodate provincial population and employment forecasts.

Markham will continue to work with the Province on ways to increase the housing supply within the existing provincial growth management framework. It is recommended that Council express its support for the development of a Provincial Housing Supply Action Plan and that this report be forwarded to the Province in response to the request for comments on the Increasing Housing Supply In Ontario consultation document. Further comments will be provided once a draft Housing Supply Action Plan is released.

#### **FINANCIAL CONSIDERATIONS**

There is a concern about any initiative that will result in a reduction in infrastructure that is eligible for DC funding. In our opinion, DCs are not a driver of house prices and therefore, reducing DCs will not reduce house prices, the cost of land or, increase housing supply. A reduction in DCs will:

- Reduce municipal revenues
- Negatively impact the City's ability to finance growth-related capital works
- Negatively affect the City's long-term sustainability as funding earmarked to maintain existing capital assets and services may be diverted to fund growth-related infrastructure, thereby impairing the City's ability to maintain its current assets
- Result in significant utility (water) rate and property tax increases

#### **HUMAN RESOURCES CONSIDERATIONS**

Not applicable.

#### **ALIGNMENT WITH STRATEGIC PRIORITIES:**

Not Applicable.

#### **BUSINESS UNITS CONSULTED AND AFFECTED:**

Comments from the Finance and Planning Departments are included in this report.

---

**RECOMMENDED BY:**

2019-01-15

X 

---

Joel Lustig  
Treasurer  
Signed by: cxa

2019-01-15

X 

---

Trinela Cane  
Commissioner, Corporate Services  
Signed by: cxa

2019-01-15

X 

---

Biju Karumanchery  
Director, Planning & Urban Design  
Signed by: cxa

2019-01-15

X 

---

Arvin Prasad  
Commissioner, Development Services  
Signed by: cxa

**ATTACHMENTS:**

- [Appendix 'A' – Increasing Housing Supply in Ontario Consultation Document](#)
- [Appendix 'B' – Development Charges & Housing Affordability – Technical Consultations](#)