



Report to: Development Services Committee

Meeting Date: October 17, 2023

SUBJECT: Provincial Building Faster Fund and Development Tracking
PREPARED BY: John Yeh, RPP, MCIP, Manager, Strategy & Innovation, Ext. 7922

RECOMMENDATION:

1. That the report dated October 17, 2023 titled “Provincial Building Faster Fund and Development Tracking” be received;
2. That the City participate in the Building Faster Fund to seek available funding and continue to implement changes identified through the City’s several streamlining initiatives, such as the Lean Review of the Development Process, to facilitate meeting the housing targets to be assigned by the Province from 2023 to 2025 ;
3. That the Province be requested to establish 2023 municipal housing targets using a proportionate share of the Provincial new housing starts target of 110,000 units (Markham’s target would be 3,226 units) and establish 2024 and 2025 municipal housing targets;
4. That the Province confirm the appropriate activity to track new housing starts performance giving consideration to the issuance of a building permit;
5. That staff be directed to continue discussions with the Province to determine the appropriate 2023 new housing starts target to use and the measurement to track performance under the Building Faster Fund and report back to Development Services Committee once it is confirmed the amount of funding Markham is eligible to receive;
6. That this report be forwarded to the Minister of Municipal Affairs and Housing and Region of York; and
7. That Staff be authorized and directed to do all things necessary to give effect to this resolution;

PURPOSE:

This report provides an overview of the Provincial 3 year Building Faster Fund, under which Markham would receive funding should the City achieve Provincially defined housing performance targets, starting in 2023. The Province, however, has yet to clarify how to measure housing performance for the purpose of qualifying for the Building Faster Fund. Staff recommends the Province to establish 2023 municipal housing targets using a proportionate share of the Provincial new housing starts target of 110,000 units (Markham’s target would be 3,226 units) and to use building permit issuance to track the housing target.

BACKGROUND:

On August 21, 2023 the Province announced the Building Faster Fund (the Fund), a new three-year \$1.2 billion fund for up to \$400 million per year for municipalities that have pledged to achieve their overall 2031 housing target. According to the Province, the Fund can be used for infrastructure and related costs that support community growth and housing. Funding is anticipated to start in 2024-2025 based on performance in 2023.

Funding will be based on two criteria for municipalities:

- If the municipality's annual housing performance target is on track to meet the 2031 housing target
- The \$400 million annual allocation will be transferred based on the target's share of the overall goal of 1.5 million homes built in Ontario by 2031

On March 22, 2023 Council passed a resolution to accept the Housing Pledge committing to facilitate the construction of 44,000 (Markham's target) new housing units by 2031. This would contribute toward the 1.5 million homes target to be built by 2031 that was issued by the Province.

According to the Province, housing performance will be evaluated by comparing the municipality's number of housing starts and additional residential units created annually against the annual target. Municipalities that achieve 80 per cent or more of their annual target will be able to access a portion of their allocation. Those that exceed their target will be eligible to receive additional funding. Municipalities that do not achieve at least 80 per cent of their annual target will not receive funding. The Fund provides double the funding for every one per cent above 100 per cent of a municipality's target

Markham's total housing target of facilitating the construction of 44,000 new units by 2031 represents 2.93 per cent of Ontario's total target of 1.5 million homes. This would allow Markham to be eligible for \$11,733,333 in annual funding for its housing performance in 2023, 2024, and 2025 (\$400 million x 2.93 per cent = \$11,733,333). The City would need to achieve at least 80% of its housing target to be eligible for any funding. The funding would be prorated to the level of target achieved, with attainment beyond the target qualifying for a bonus (double the funding for every one per cent overachievement). As of August 21, 2023 from the Province's funding guidelines and staff interpretation, this is the funding structure if Markham can meet the annual housing target examples:

Annual Eligible Funding 2023-2025	Per Cent of Housing Target Achieved Annually	Funding Markham Would Receive
\$11,733,333	80%	\$9,386,666
	90%	\$10,560,000
	100%	\$11,733,333
	105% (110% bonus funding)	\$12,906,666
	110% (120% bonus funding)	\$14,080,000

The Province's website notes for the first year of the program in 2023, Province-wide housing targets will start at 110,000 new housing starts for 2023. From there housing

targets will increase over time until the Province is on track to achieve at least 1.5 million homes by 2031. While staff met with Provincial staff in September 2023 to discuss details of the Fund, more is expected to emerge on what is to be measured and tracked, such as the amount of new housing starts and/or residential units created and how they are related to each other.

This staff report identifies potential housing target measures and definitions to determine if the City is on track to be eligible for the Fund and actions the City is taking to support meeting the housing targets.

OPTIONS/ DISCUSSION:

While Markham's housing target is 44,000 new units by 2031, which translates to \$11,733,333 annually in eligible funding assuming the City meets at least 80 per cent of its target (plus a bonus should the target be exceeded), guidance from the Province is needed on the actual annual housing target and a definition on how it is to be measured. For example, clarity is sought if the 44,000 new units by 2031 is equally divided by 10 years from 2021 to 2031, so that the target to be achieved is 4,400 new units annually, or if there is a gradual increase annually to achieve 44,000 new units. Staff note that equal distribution of the ten-year target has not historically been achieved or reflective of the development process. Also, Staff are seeking clarity as to how the units in the housing target should be defined and counted. For example, should the new units be counted at site plan approval and subdivision agreement registration, building permit application, or building permit issuance.

Staff requests the Province to establish 2023 municipal housing targets using a proportionate share of the Provincial new housing starts target of 110,000 units (Markham's target would be 3,226 units) and use building permit issuance to track the housing target

To evaluate if Markham is eligible to receive funding for 2023 in meeting the minimum 80% of the housing target, the Province needs to define how the housing target is measured. The housing target could be 4,400 new units annually from 2021 to 2031 which equates to a total of 44,000 new units from the City's commitment to the Housing Pledge. Another option for the target could be 3,226 new units for 2023 which is derived from the Province's proposed 110,000 new housing starts target in 2023 (Markham's 2.93% share from 44,000 new units Housing Pledge divided by the 1.5 Million new homes target in Ontario by 2031). The table below shows the two potential targets and the proportion of new units required to access the funding allocation from examples of the per cent targets achieved.

It is requested the Province use the 110,000 new housing starts target in 2023 which is more realistic to achieve as noted later in this report (translates to 3,226 starts for Markham). This would also align with stated objectives by the Province, which is that the Fund is meant to be used for years 2023, 2024, and 2025 and appears to be linked to the 110,000 new housing starts Province-wide rather than the Housing Pledge of 44,000 units to 2031 for Markham or 4,400 units per year.

Option 1	2023 Units	Option 2	2023 Units
Markham Potential Annual Target for New Units until Province Assigns - from Housing Pledge	4,400	Markham Potential Annual Target for New Units until Province Assigns - from Provincial 110,000 new housing starts target	3,226
80% of Target to be Eligible for \$9,386,666	3,520	80% of Target to be Eligible for \$9,386,666	2,581
90% of Target to be Eligible for \$10,560,000	3,960	90% of Target to be Eligible for \$10,560,000	2,903
105% of Target to be Eligible for \$12,906,666	4,620	105% of Target to be Eligible for \$12,906,666	3,387
110% of Target to be Eligible for \$14,080,000	4,840	110% of Target to be Eligible for \$14,080,000	3,549

The Province also needs to define how the housing target is to be measured to track performance under the Fund. A few options for the Province to consider are:

- Site plan approval (agreement registration prior to July 1, 2023 and approval after July 1, 2023 from Bill 109 implementation) and subdivision agreement registration (both lead to building permit application);
- Building permit application; or
- Building permit issuance

The City's ability to facilitate approvals is during the official plan amendment, zoning by-law amendment, site plan, and plan of subdivision processes. Once all planning approvals are completed the applicant then applies for building permits, which may or may not occur right away. There are external factors beyond the control of municipalities such as market demand, labour and supply issues, and interest rates. Once building permits are issued construction timelines can vary until an occupancy permit is issued by the City. An analysis was undertaken to check how many building permits have not been applied for relative to site plan approvals and subdivision agreements registered from January 2021 to September 2023. The analysis indicates of the approximately 8,000 units of development approvals during that period, approximately 300 units have not resulted in permit application to date. It can take up to 6 months for an applicant to apply for a permit but the analysis generally demonstrates that the development industry is responsive in applying for permit once the planning process is complete.

If the City were to use two of the three targets noted, the City would receive a portion of the funding allocation for site plan approval and subdivision agreements and permit issuances based on the 2023 forecasted units. The 2023 forecasts are determined by including January to September 2023 actual units and anticipated applications coming forward from October to December 2023. When the 2023 actual units are available in early 2024 the eligible funding amount may change. From the table below the City would receive funding of \$10.11 million if the Provincial Housing Starts target and site plan approval & subdivision agreements measure are achieved. The City would receive \$10.33

million if the Provincial Housing Starts target and building permit issuance measure are achieved.

				2023 Funding Allocation Forecast	
Housing Units	2022	Jan.-Sept. 2023	2023 Forecast	Option 1 - Atleast 80% Target Achieved - Housing Pledge	Option 2 - Atleast 80% Target Achieved - Provincial Housing Starts
Site Plan Approvals & Subdivision Agreements	1,389	2,124	Approx. 2,780	No funding - at least 3,520 units not achieved	Yes - 86% at \$10.11 million with 2,780 units achieved
Markham Building Permit Applications	599	2,087	Approx 2,300	No funding - at least 3,520 units not achieved	No funding - at least 2,581 units not achieved
Markham Building Permit Issuances	2,200	1,905	Approx. 2,840	No funding - at least 3,520 units not achieved	Yes - 88% at \$10.33 million with 2,840 units achieved
Markham Occupancies Issued	1,790	1,718	*		

* Forecast not available

Source: Building Standards Department and Planning & Urban Design Department

The following table shows the proportion of the 2,840 building permit issuances forecasted for 2023 by unit type. It includes accessory dwelling units (second units) which the City recently started reporting on and apartments where foundation related permits have been issued. The previous table indicates from January to September 2023 the number building permits issued was 1,905 units. The majority of the additional units forecasted by end of 2023 totaling 2,840 units are made up of apartments at 792 units to get to about 2,300 apartment units and townhomes at 123 units to get to 287 townhome units. These units are subject to change by end of 2023.

2023 Forecast (2,840 Housing Units)	Single-Detached	Semi-Detached	Townhomes	Apartments	Accessory Dwelling Unit (second units)
Markham Building Permit Issuances	125	18	287	2,300	110

Staff recommends the Province use building permit issuance data to measure the Staff recommended new housing starts target of 3,226 units for 2023 in Markham. Once a permit is issued by the City that should be the housing start since the applicant can start construction and is the nearest milestone measurable in the building permit process before construction starts. Canada Mortgage and Housing Corporation (CMHC) defines a housing start as the beginning of construction work on the building where the dwelling unit will be located. CMHC undertakes regular surveys of home builders to obtain the data. It is not recommended CMHC's data be used by the Province since the City does not have data to confirm CMHC's data and it is outside of the City's control to begin construction.

The following table is a breakdown of the 2,840 building permit issuances forecasted for 2023 by unit type. It includes accessory dwelling units (second units) which the City recently started reporting on and apartments where foundation related permits have been issued.

Markham has an important role in setting the planning framework and streamlining and modernizing its development processes

The City is committed to continuous improvement to streamline and realize efficiencies in the development review process that's within its control. Initiatives that were recently completed or nearing completion from the Provincial Streamline Development Approval Fund include:

- A Lean Review of the development review process to improve processing timelines
- ePLAN development and permit application review software upgrade to improve functionality and customer service experience
- ePLAN application submission website upgrade for easier navigation and mobile application for building inspection processes
- and customer service experience, 3D electronic model of secondary plans to inform and accelerate development application recommendations
- MappiT an online development application viewer for the public to access development application information and studies to increase transparency

Additional process improvements related to Bill 109 - *More Homes for Everyone Act, 2022* and Bill 23 - *More Homes Built Faster Act, 2022* led to Council approved amendments on June 28, 2023 to the City's Official Plan and Pre-Consultation By-law. Staff have undertaken a significant amount of analysis, research and stakeholder engagement that results in clearer, more transparent and a more efficient development application processes. While a number of recommendations from the Lean review have been implemented through the new processes to support Bill 109 and 23 implementation, the remaining recommendations will be reviewed and work program be developed to implement appropriate recommendations.

The February 23, 2023 Development Services Committee staff report on "Municipal Housing Pledge", noted a number of municipal policy initiatives to support the development of new housing units. A few of the policy initiatives include several active secondary plan studies that will guide the development of approximately 109,000 new residential units. The timing of growth will be dependent on the delivery of necessary infrastructure to support growth. A comprehensive zoning by-law update is underway to consolidate Markham's 46 Zoning By-laws and conform to the in-effect Official Plan. The updated Zoning By-law will potential reduce the amount of by-law amendments as updated zoning will be in place that reflects the in-effect Official Plan.

The City should participate in the Building Faster Fund to seek available funding

Staff recommends the City participate in the Building Faster Fund to seek funding to be used for housing-enabling infrastructure and related costs that support community growth. The Fund would be helpful in aiming to achieve the City's Housing Pledge goal

of facilitating the construction of 44,000 new homes by 2031, though more predictable and sustained funding is more desirable.

Staff also recommends continuing discussions with the Province to determine the appropriate 2023 new housing starts target to use and the measurement to track performance. Staff will report back to Development Services Committee once it is confirmed the amount of funding Markham is eligible to receive.

FINANCIAL CONSIDERATIONS

This staff report provides a 2023 forecast on funding the City would receive through the Building Faster Fund's three year program, starting in 2024-2025, provided the City meets Provincially-defined targets for housing performance. Given a lack of clarity on these Provincial targets there is uncertainty as to whether the City can meet its targets. As such, Staff will not be incorporating the potential funding into the 2024 budget process.

As previously communicated to Council, the potential full impacts of Bill 23 could result in lost revenue of approximately \$136 million per year for Markham. This takes into account the reduction in parkland/cash-in-lieu, removal of studies and potential removal of land from the list of DC eligible capital projects, phase-in of DC rates, and incentives for affordable housing. Staff continue to await details as some of these have not been proclaimed yet, so the full and actual financial impact of Bill 23 is still unknown at this point.

Money received from the Building Faster Fund could help mitigate some of these reductions in revenues in the short term; however, as the potential funding is limited and time-constrained, it does not represent a long-term solution to the fiscal challenges municipalities face due to Bill 23. Staff continue to engage Provincial counterparts on these funding challenges.

HUMAN RESOURCES CONSIDERATIONS

Staffing needs continue to be monitored in relation to implementing legislative changes to the planning system under Bill 109 and 23 and in the context of achieving the City's housing starts target under the Building Faster Fund.

ALIGNMENT WITH STRATEGIC PRIORITIES:

This report aligns with the strategic priority of growth management and municipal services by demonstrating how the City is facilitating the development process to help achieve housing targets to be identified in the Province's Building Faster Fund

BUSINESS UNITS CONSULTED AND AFFECTED:

Planning & Urban Design, Building Standards, and Finance

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