Report: COR-FSD-19-25

Region of Waterloo

Corporate Service

Financial Services and Development Financing

To: Chair Sean Strickland and Members of the Administration and Finance Committee

Date: May 28, 2019 **File Code:**

Subject: Region's Response to Bill 108, the More Homes, More Choices Act, 2019

Recommendation:

That the Regional Municipality of Waterloo endorse and submit to the Minister of Municipal Affairs and Housing the input and recommendations on "Bill 108, the More Homes, More Choices Act, 2019" as it relates to development charges and the proposed community benefits charge, as set out in report COR-FSD-19-25 dated May 28, 2019.

Summary:

Bill 108, the "More Homes, More Choices Act, 2019" was introduced and received first reading on May 2, 2019. Among other things, the Bill amends the Development Charges Act (DCA) and Section 37 of the Planning Act in a manner that reduces the ability of municipalities to impose and collect development charges to fund growth related infrastructure, delays the payment of development charges resulting in increases in future municipal growth-related debt issuance, further shifts the cost of growth onto existing taxpayers, and in the view of staff will not meet the objectives of the Province to increase housing supply and affordability.

The DCA provides municipalities with a mechanism to recover a portion of the growth-related capital costs of infrastructure required to serve a growing community. If enacted, the DCA would be restricted to "hard" services (transportation, water, wastewater, storm water, transit, waste diversion, police and fire), while soft services (paramedic services, airport, library, planning studies, recreation and leisure, parking, and cemeteries) will be considered ineligible. In lieu of soft service ineligibility under the DCA, the Bill creates a

new capital cost recovery regime by amending section 37 of the Planning Act to allow a municipality to impose “community benefits charges” against land to pay for capital costs of facilities, services and matters required because of development or redevelopment. The Bill also provides a new DC exemption for the creation of a second dwelling unit in new residential buildings, “freezes” the determination of DCs for a particular development at the later of site plan application date or zoning application date, and creates a “6 payments over 5 years starting at occupancy” payment plan for all new commercial, industrial and institutional development.

Preliminary financial impacts include a budget increase of approximately $1.0 million related to RDC-funded debt servicing costs starting as early as 2020, increased costs for the implementation of the Airport and Paramedic Services master plans, and the need to identify a funding source for various planning studies. Recommendations to the province include:

- Airport and paramedic services should be classified as DC-eligible hard services.
- Do not implement a community benefits charge regime - if the Province feels that reducing municipal development charges is necessary, it would be preferable to keep soft services in the DCA and simply limit the extent of recovery within the existing DC Act and rules.
- Do not change the date at which point the DC is determined for a particular development
- Do not change the timing of DC payment for commercial, industrial and institutional development (as this is not relevant in any way to the supply of housing), and expressly state that instalments may be added to the tax roll of the property upon determination of the amount and that the DC installments have priority lien status so they have priority over prior mortgages and other encumbrances.
- Provide additional time for municipalities to analyze the Bill and provide comment.
- Undertake a thorough consultation with municipalities and other stakeholders on any draft regulations associated with Bill 108, before the enactment of the proposed Bill.
- Delay any proposed changes to the DCA to mid or late 2020 in order to allow municipalities to properly plan for an orderly transition.

Report:

In November 2018, the Provincial government announced consultations regarding a proposed Housing Supply Action Plan (HSAP). The Province sought input on how barriers to creating new ownership and rental housing in Ontario could be addressed. The consultation themes established by the Province were:

- Speed - it takes too long for development projects to get approved;
- Housing Mix - there are too many restrictions on where and what type of housing can be built, including the “missing middle”;
- Cost - development costs are too high because of high land prices and government imposed fees and charges;
- Rent - it is too hard to be a landlord in Ontario, and tenants need to be protected;
- Innovation - opportunities for innovation to increase housing supply.

The Province indicated it would use the input from this consultation to inform the development of its proposed HSAP, which would focus on steps the Province can take to increase housing supply quickly, and longer-term measures that will be rolled out over the next 18 months. Initiatives related to community housing (i.e. social and supportive housing) were out of scope of this review.

The Region of Waterloo’s formal input to the HSAP process was through report PDL-CPL-19-03/COR-FSD-19-06/CSD-HOU-19-04 dated January 29, 2019. The Region’s key messages to the Province through that report were as follows:

- Maintaining an adequate supply of housing is a key contributor to supporting a high quality of life and vibrant economy in Waterloo Region.
- Waterloo Region currently has a balanced housing supply and has sufficient designated land and servicing capacity to accommodate residential growth to 2031, although this capacity varies by area municipality.
- The housing market is influenced by a variety of key macroeconomic factors, including: lower interest rates; higher after-tax incomes; increasing percentage of incomes used to make mortgage payments; and larger down payment gifts from family members.
- The development approval process has become increasingly complex in response to changing attitudes towards the environment and new approaches to community planning.
- There is no evidence that lower development charges or no development charges would reduce the price of housing or result in greater housing supply.
- Reducing or eliminating development charges would create significant financial challenges for growing municipalities and may actually result in complexities that could have a detrimental impact on housing supply.
- Any reduction to development charges would be: **counterproductive** as municipalities would have to weigh their investment in growth-related infrastructure against maintaining existing infrastructure; **inefficient** as reductions in DCs would not necessarily be passed on to homebuyers; **ineffective** since existing tax and rate payers would have to pick up the cost of infrastructure not funded by DCs thereby creating a disincentive for residents to

support new housing; and **expensive** as the costs will be transferred to existing homeowners including low income families and seniors who will not benefit from the new infrastructure and will be financially challenged to afford the higher costs.

Regional staff also participated in a variety of provincial consultation sessions and meetings through January and February.

Bill 108, the More Homes, More Choices Act, 2019

Bill 108, “the More Homes, More Choices Act, 2019” was introduced and received first reading on May 2, 2019. Among other things, the Bill amends the Development Charges Act (DCA) and Section 37 of the Planning Act in a manner that reduces the ability of municipalities to impose and collect development charges to fund growth related infrastructure, delays the payment of development charges resulting in increases in future municipal growth-related debt issuance, further shifts the cost of growth onto existing taxpayers, and in the view of staff will not meet the objectives of the Province to increase housing supply and affordability. Many of the proposed legislative amendments in Bill 108 are contrary to the advice and input provided by most municipalities during the HSAP consultation process.

Staff understand that the government desires to pass the bill relatively quickly. The comment period for Schedule 3 of Bill 108 (Development Charges Act amendments) and Schedule 12 (certain Planning Act amendments) expires on June 1, 2019. The balance of this report outlines the proposed changes included in Schedules 3 and 12 of Bill 108 as they relate to funding for municipal growth-related infrastructure and the associated analysis, commentary and recommended input. The staff analysis is summarized under four headings: recovery of growth-related capital costs, the application of development charges, the determination and collection of development charges, and transition matters. A complete analysis is not possible as a draft regulation has not been released. Other areas of focus of Bill 108 are described in report PDL-CPL-19-24/PDL-LEG-19-37 on the Planning & Works Committee agenda of May 28, 2019.

1) Recovery of growth-related capital costs

a. Bill 108 provisions

The DCA provides municipalities with a mechanism to recover a portion of the growth-related capital costs of infrastructure required to serve a growing community. The DCA as it exists does not allow “growth to pay for growth” as is often claimed. This is due to requirements in the DCA relating to a 10 year historic service standard ceiling for some services, statutory exemptions which reduce the amount of DCs collected (qualifying industrial expansions, certain residential intensification), mandatory 10% discounts for certain services, and ineligibility of certain services (e.g. waste management other than waste diversion related costs, museums, administration facilities, etc.). If enacted, the Bill would amend the DCA as follows:

- All “soft” services (i.e. those with the previously mandated 10% discount - paramedic services, airport, library, planning studies, recreation and leisure, parking, and cemeteries) will be considered ineligible under the DCA. Accordingly, the DCA would be restricted to the following eligible “hard” services: transportation, water, wastewater, storm water, transit, waste diversion, police and fire.
- The 10% cost deduction for waste diversion will be eliminated.

In lieu of soft service ineligibility under the DCA, the Bill creates a new capital cost recovery regime by amending section 37 of the Planning Act to allow a municipality to impose “community benefits charges” against land to pay for capital costs of facilities, services and matters required because of development or redevelopment. The Bill includes the following community benefit charge provisions:

- A community benefits strategy must be approved by the municipality in support of the charge (with appropriate consultation required).
- The charge will be capped: it cannot exceed an amount equal to the prescribed percentage of the appraised value of the land as of the day before a building permit is issued.
- The applicant will provide an appraisal prior to a building permit being issued. If the municipality disagrees with the appraisal it can obtain its own appraisal, and if the appraisals are not within 5% of each other, then a third appraisal would be obtained from a list of appraisers maintained by the municipality.
- All money received under a community benefits charge by-law must be paid into a reserve fund, and a municipality must spend or allocate 60 per cent of the monies in the special account each year.
- If a municipality passes a community benefits charge by-law for a particular service, then the balance in the applicable soft service RDC reserve fund will be transferred to the special account referred to above. If a municipality does not pass a community benefits charge by-law for a particular service, then the balance in the applicable soft service RDC reserve fund will be transferred to a general capital reserve for the same purpose.
- Reporting requirements to be prescribed.
- The Province will prescribe a “sunset date” for existing soft service DCs.

The Region is currently in the process of updating its development charge by-law as the current by-law expires on July 31, 2019. The calculated maximum permissible development charge rates for a single/semi detached dwelling and the current rates are as set out in the table below:

Residential Rate for a Single/Semi

Service		Current		Calculated
General Government	$	119	$	298
Police Service		282		812
Paramedic Services		101		170
Airport		244		585
Operations		131		162
Transit*		3,612		3,072
Library**		231		646
Waste Management***		273		328
Transportation		10,033		11,997
Water Supply		2,262		4,442
Wastewater		5,602		6,220
Total – Cities	$	22,659	$	28,086
Total - Townships	$	19,278	$	25,660

* Cities Only, ** Townships Only
***"Calculated" adjusted to remove 10% reduction per DCA

b. Staff analysis and commentary

Input provided during the HSAP consultation period by the Region and other municipalities was that there is no evidence that lower development charges would reduce the price of housing or result in greater housing supply. In fact, reducing or eliminating development charges creates significant financial challenges for growing municipalities. Comments on the proposed legislative changes described above are as follows:

- Hard services remain eligible for DC funding. That being said, the DCA continues to impose a 10 year historic service standard for some services, continues statutory exemptions which reduce the amount of DCs collected, and certain services remain ineligible.
- The removal of soft services from the DCA in favour of a capped community benefits charge will likely mean a significant reduction in municipal revenue to fund growth-related infrastructure combined with an increased administrative burden.

- For the Region, these changes mean removing the paramedic services, airport, library and general government (planning studies) components from the RDC. While these services represent only a small portion of the existing and proposed RDC, the Region's 10 year capital program includes almost $75 million of RDC-funded debt to implement Triggers 1, 2 and 3 of the Airport Master Plan. This source of funding will now not be available, and this will shift airport development and expansion costs onto property taxpayers.
- Should Bill 108 be enacted as proposed, a funding shortfall will be created relating to existing RDC-funded debt for library, paramedic services and airport, as summarized in the following table:

Service	Total growth-related debt issued to date	Annual debt servicing costs	Total remaining debt servicing cost
Airport	$5,578	$527	$6,926
Paramedic Services	4,194	376	5,375
Library	172	20	203
Total	**$9,944**	**$923**	**$12,504**

All figures in $000s

It is expected that funding responsibility for existing RDC-funded debt servicing costs in the amount of $12.5 million will be transferred to the tax levy, impacting future tax supported budgets by an estimated $923,000 annually as early as 2020. It is possible that existing RDC reserve fund balances could be used to phase in the property tax budget impact.

- The Region's General Government RDC reserve fund had a shortfall of approximately $2.3 million at the end of 2018, due to significant expenditures incurred in the 2014-2016 period relating to the appeal defense of the Region's Official Plan. It is unclear how this shortfall will be treated under the proposed framework.
- There is no obvious rationale for treating paramedic services as a DC ineligible "soft" service while other emergency services such as police and fire are considered "hard" DC eligible services
- The exclusion of soft services is expected to have significant impacts for lower and single tier municipalities in the Province, where the recreation/parks/leisure components is often a significant portion of the local DC (the current range in local municipalities within Waterloo Region is 30% to 70%). This will significantly restrict the ability of local and single tier municipalities to emplace important community amenities in the future.

- Generally, implementing a capped community benefits charge is expected to significantly reduce municipal revenue for growth-related capital costs.
- Introducing a separate community benefits charge regime is unnecessary and adds to the level of "red tape", administration and bureaucracy by:
  - Requiring a separate study and by-law,
  - Creating a regime where there is a high probability of disputes about the appraised value of land, and
  - Adding unnecessary costs, time and paperwork for developers and municipalities.
- It is unclear whether there will be one % cap calculated for the entire province or whether different caps will be calculated in different areas due to the wide range of property values across the province, and even within individual municipalities.
- Sharing/treatment of the cap within a two-tier municipal structure is unclear.

c. Recommendations

- Add municipal airports to the list of eligible hard services in the DCA, and if not, request the Province to establish a long term, predictable and stable funding program for the development and expansion of municipal airports. Historically, the Province of Ontario has only participated in airport capital funding through joint, shared infrastructure programs with the federal and municipal governments. Other provinces such as British Columbia and Saskatchewan have airport specific funding programs that can be used for safety and infrastructure enhancements that help strengthen local, regional and provincial economies.
- Add paramedic services to the list of eligible hard services, in the same manner as other emergency services such as police and fire. Notwithstanding the Province's intention to consolidate emergency services operators, municipalities continue to have a cost sharing responsibility for paramedic services, and as such, retaining a development charge for growth-related paramedic service capital costs is appropriate.
- Do not implement a cumbersome, costly and unnecessary community benefits charge regime which will require additional studies, by-laws and administration. It is not clear why moving to a community benefit charge by-law is deemed necessary when a framework is already in place in the DCA. If the Province feels that reducing municipal development charges is necessary to meet the objectives of the HSAP, it would be preferable to keep soft services in the DCA and simply limit the extent of recovery within the existing DC Act and rules, rather than imposing another complex community benefits charge regime.

2) Application of Development Charges

a. Bill 108 provisions

- The Bill expands the current DC exemption by removing the "cap" of two additional units in existing residential buildings and allowing additional units in "structures ancillary to existing residential buildings";
- The Bill also provides a new DC exemption for the creation of a second dwelling unit in new residential buildings.

b. Staff analysis and commentary

- The Act currently has an exemption for residential intensification as follows: up to two new DC-exempt units can be added to existing residential development, provided that the new units have a smaller square footage than the existing unit. The Bill removes this "cap" of two new units subject to the ability to impose a new "cap" in the Regulations after Bill 108 is passed. The Bill will also allow the term "structures ancillary to existing residential buildings" to be defined in the Regulations after Bill 108 is passed. It is assumed that these structures could include standalone garages that could be converted into residential units that are DC-exempt.
- Staff believe that the new DC exemption for the creation of a second dwelling unit in new residential buildings would allow a developer to construct a single detached house or townhouse with an additional basement apartment that is DC-exempt. Again, the details of the new exemption will be set out in the Regulations after Bill 108 is passed.
- This Act also provides a mandatory exemption for industrial additions of up to 50% of existing gross floor area
- Each new exemption reduces the amount of DC's collected although it may assist in creating additional housing.

c. Recommendations

- Set out any "cap" for additional units in existing residential buildings, the definition of "structures ancillary to existing residential buildings" and the details for the exemption related to new residential buildings in Bill 108, or provide the proposed Regulations for such, so that municipalities may better understand, provide input and plan for the implications.

3) Determination and Collection of Development Charges

a. Bill 108 provisions

Currently, the amount of DCs applicable to a particular development is determined and collected at the time of issuance of a building permit. The Bill proposes that:

- DCs applicable to a development will be determined and “frozen” at the later of site plan application date or zoning application date.
- If a particular development does not require a site plan approval or zone change, then the DCs are determined (but not paid – see following section) at the time of building permit issuance.
- Interest can be charged in accordance with the regulation.

The effect of this change is to prevent a higher DC being imposed on a development that is in the site plan or zone change process as a result of indexing an existing DC rate or through the approval of a new development charge by-law.

Bill 108 also proposes to change the timing of payment of DCs for certain development. Specifically, the payment of DCs for new rental housing, new non-profit housing, as well as all new commercial, industrial and institutional development (i.e. all development except single/semi-detached houses, townhouses and residential condominiums) is proposed to change as follows:

- Rather than DCs being paid at building permit issuance, payment of DCs will be made in six installments over 5 years.
- The first payment is to be made at occupancy, and the remaining payments would be made on the annual anniversary date of the first payment for 5 years.
- Unless an occupancy permit is required to be issued, the person paying the DCs must notify the municipality within 5 days of occupation, and if not, the entire DC is payable immediately.
- The municipality can add unpaid installments to the tax roll of the property and collect in the same manner as taxes.
- Interest can be charged in accordance with the regulation.

b. Staff analysis and commentary

- Freezing the development charge at an earlier date reduces the amount of DCs collected by municipalities to fund new infrastructure, resulting in delayed emplacement of infrastructure or additional growth-related debt for infrastructure that must be in place prior to development occurring (generally water and wastewater). This provision will be seen as helpful by developers looking for cost certainty.
- The delayed payment will also be seen as helpful to developers of multi-residential rental housing who, unlike condominium developers, do not presell units in advance of obtaining financing. Some municipal DC by-laws already provided for a delayed payment arrangement for new rental housing.

- Applying a delayed payment regime to commercial, industrial and institutional development has nothing to do with housing supply and should not be introduced.
- Delaying the payment of DCs negatively impacts cash flow to municipalities, reduces DC reserve fund balances, and in many cases will result in the need for more growth-related (i.e. RDC funded) debt to be issued. This in turn requires additional financing charges to be included in the DC calculation, which would have the effect of increasing future DCs for such services.
- This proposal effectively turns municipalities into bankers responsible for contributing to developers' cash flow.
- This change will also have an administrative impact on municipalities, who will now become responsible for tracking future payments and monitoring occupancy of new construction, and creates the likely scenario of disputes about when a property is or is not occupied. It is not clear how "occupied" will be defined, if at all.
- This change will create a risk and administrative cost to collect unpaid DC installments. Unpaid installments may be added to the tax roll but they do not have priority status over prior mortgages and other encumbrances, and carrying out a municipal tax sale is time consuming and costly for the municipality.
- There is a potential "gap" period between the time that the DC installment is determined and when the municipality can add unpaid installments to the tax roll. This may cause hardship for a purchaser who acquires the property without knowledge of the DC's still owing.
- It is unclear who is the payee of development charges, i.e. the initial payee or the then current owner(s) at the time each installment is due. It is also unclear who and in what amount installments are made in the event that the originally developed property is subdivided or severed into multiple parcels.

c. Recommendations

- Do not change the date at which point the DC is determined for a particular development (i.e. determine the DCs payable at the time of issuance of a building permit).
- Do not change the timing of DC payment for commercial, industrial and institutional development, as this is not relevant in any way to the supply of housing, and municipalities should not have to play the role of banker for developers.
- Less preferably, DCs should be calculated on the later of the approval date of a zoning change, site plan approval or the issuance of a development permit.

- Expressly state that instalments may be added to the tax roll of the property upon determination of the amount and not when the installment payment goes into default.
- Expressly state that the DC installments have priority lien status so they have priority over prior mortgages and other encumbrances.
- Expressly state that DC installments are payable by the then current owner of the property.

4) Transition Matters

a. Bill 108 provisions

During the HSAP consultation period, staff advised the Ministry to be particularly mindful of making changes to the DCA and regulations in early/mid 2019 as many municipalities are working through the 5 year cycle of DC by-law updates. Bill 108 establishes the following transition:

- If the Region passes a new RDC By-law prior to the enactment of Bill 108, it will do so under the current DCA. The new by-law would include all services (hard and soft) under the existing DCA framework. New RDC rates would come into effect for all services (Aug. 1), and the hard service rates would remain in effect until the new by-law expires (2024). New RDC rates for soft services would remain in effect until: either a community benefits by-law is approved, the by-law is repealed, or a date to be prescribed by the Province.

- If the Region's new RDC By-law is approved after Bill 108 is enacted, then the new RDC By-law would reflect new hard service rates under the amended DCA framework. New RDCs would come into effect for hard services (Aug. 1) and remain in effect until the new by-law expires (2024). Existing RDC rates for soft services would remain in place (i.e. the existing RDC by-law would be extended beyond July 31, 2019 for soft services) until: either a community benefits by-law is approved, the by-law is repealed, or a date to be prescribed by the Province.

b. Staff analysis and commentary

There are approximately 80 municipalities that will be updating DC by-laws between now and the fall of 2019, includes most municipalities within Waterloo Region. Development charge by-law expiry dates within the Region of Waterloo are as follows:

Municipality	DC by-law expiry date (in chronological order)
City of Kitchener	June 30, 2019
City of Cambridge	July 1, 2019
Township of Woolwich	July 7, 2019
Region of Waterloo	July 31, 2019
Township of Wilmot	August 31, 2019
Township of Wellesley	December 31, 2019
Township of North Dumfries	January 11, 2020
City of Waterloo	December 31, 2022

It appears that the government is moving quickly to enact Bill 108. Assuming the Bill is enacted in June 2019, then the Region would be in the situation where it would have RDC rates in effect on August 1, 2019 that reflect 1) updated RDC rates for roads, water, wastewater, transit, police, and waste diversion based on the new background study and by-law, and 2) old RDC rates for airport, paramedic services, general government (planning studies) and library, each of which would fall off at some future date, whether replaced or not by a community benefits charge by-law.

c. Recommendations

- Request the Province to extend the June 1, 2019 timeline on the Environmental Registry of Ontario for comments on proposed Bill 108 to provide additional time for municipalities to analyze the Bill and provide comment.
- Request the Province to undertake a thorough consultation with municipalities and other stakeholders on any draft regulations associated with Bill 108, before the enactment of the proposed Bill.
- Delay any proposed changes to the DCA to mid or late 2020 in order to allow municipalities to properly plan for an orderly transition, to obtain clarity regarding the potentially significant financial impacts of the removal of soft services from the DCA, and to minimize confusion and disruption at a time when so many development charge by-laws are being updated.
- Provide the proposed “prescribed date” when “grandfathered” DC By-laws will expire in relation to soft costs so that municipalities can better understand, provide input and plan for the implications.

Concluding Comment

As reported many times by staff, municipalities have only three sources of revenue to fund their capital programs: property taxes, user rates and development charges. In virtually all growing municipalities, development charges are a vital component of capital program funding and financing strategies. In the absence of DCs, the cost of growth must be funded by existing property taxpayers and ratepayers.

As was set out during the HSAP consultation, DCs are not a root cause of the affordable housing and supply challenge, and represent only a small portion of the price of a new housing. Reducing DCs makes in harder to fund the cost of growth. The DCA in its current form does not allow growth to pay for growth. The DCA already forces existing tax and rate payers to subsidize growth through ineligible services, discounts, mandatory exemptions, and historical service standards.

It is staff’s opinion that reducing DCs could actually reduce housing supply, not increase it, as the cost of servicing growth will be further transferred to existing tax and rate payers. Less funding from DCs means growth related projects would face more competition from other demands on property taxes and user rates. There is no evidence that shows reductions in DCs would be passed from developers directly to homebuyers through a reduction in new house prices. As such, the proposed changes set out in Bill 108 are decidedly to the benefit of developers.

The proposed changes set out in Bill 108 further prevent growth from paying for growth, will add to the already significant costs recently downloaded to municipalities (public health, child care, paramedic services, policing, etc.), will increase municipal debt, and will make it more difficult for municipalities to put in place the necessary and important infrastructure and amenities needed in a growing community.

Staff recommend that Council endorse and submit to the Minister of Municipal Affairs and Housing the input and recommendations with respect to the impact of “Bill 108, the More Homes, More Choices Act, 2019” on municipal development charges and the proposed community benefits charge as set out in this report.

Corporate Strategic Plan:

Nil

Financial Implications:

It is impossible to fully assess the financial impacts of Bill 108 as it is currently worded and in the absence of a draft regulation. It is not clear how a proposed community benefits charge would be shared between upper and lower municipalities and the % cap is not known. That being said, staff have identified numerous financial impact headings, as set out below:

1) **Existing RDC-funded debt servicing costs** for Airport, Paramedic Services and Library amount to $923,000 annually, and would be added to future tax levies, as early as 2020. Some funding may become available through the proposed community benefits charge (although the amount is not expected to be significant), and through existing RDC reserve fund balances.

2) **Additional RDC-funded debt** in the amount of $683,000 is planned to be issued this fall to complete the financing of the Paramedic Services HQ and North Operations Centre. Expected annual debt servicing costs of $50,200 will now have to be funded from property taxes, likely starting in 2020.

3) The Region's **2019-2028 Community Planning Capital Program** includes approximately $1.1 million in costs over 2019 and 2020 to complete the Municipal Comprehensive Review, of which approximately $1.0 million is intended to be funded from development charges. Should Bill 108 be enacted, this project will become ineligible for RDC funding, and accordingly would require funding from the tax levy and/or property tax reserves. It is expected that there will be sufficient funding in the existing RDC reserve funds to cover the growth-related portions of 2019 projects that are underway for airport and library.

4) **Airport and Paramedic Services Master Plan** financial projections will be negatively impacted. For example, the cost per household forecast used in the Airport Master Plan assumed 50% of all capital costs would be funded from non-property tax sources (i.e. RDCs and subsidy). Subsidies have yet to be identified, and with the enactment of Bill 108 Airport RDCs would be eliminated. The cost of implementing the Paramedic Services Master Plan will increase in the absence of a paramedic service RDC. The following table outlines the level of development charge funding anticipated in the 2019-2028 capital programs for services that would become ineligible under Bill 108.

Future growth related capital costs for soft services ($000's)

	Paramedic	Airport	Library	*General Government	Total
Total spending in 10 year capital program	$52,854	$201,062	$1,055	$4,548	$259,519
RDC funding portion of capital program	$2,696	$73,953	$699	$3,573	$80,921
Portion of RDC funding to be debt financed	$2,696	$71,495	-	-	$74,191

* Community based studies such as the Municipal Comprehensive Review would no longer be eligible under Bill 108, engineering studies such as sub-watershed studies would remain eligible.

It is expected that $81 million of planned RDC funding ($74 million of which was planned to be debt financed) over the next 10 years will be required from the property tax levy.

5) A portion of the $2.3 million **shortfall in the General Government RDC reserve** may have to be covered by existing regional reserves or future property taxes as community based studies would no longer be eligible for development charge funding. Should Bill 108 be enacted as worded, staff would bring forward a funding recommendation as part of the 2019 year end Periodic Financial Report in the spring of 2020.

6) **Additional growth-related debt** will be required due to proposed delayed payment provisions for certain DC payments. Based on collections in 2017 and 2018, approximately 25-30% of RDC collections would be impacted by the proposed changes. Staff are working to estimate the additional debt that may be required. The associated debt servicing costs would be added to future RDC calculations, thereby resulting in an increase in future RDC rates.

7) There will be some **lost revenue** due to the proposed exemption for second dwelling units in new residential development.

8) There would be **additional costs for appraisals and community benefits charge administration**. A basic appraisal would be in the range of $3,500. As any community benefits charge is expected to be minimal for the Region, it is questionable whether it would be worthwhile for the Region to seek an appraisal in situations where staff disagree with an owner's appraisal. These decisions

would have to be made on a case-by-case basis. This is expected to be a significant issue for lower and single tier municipalities.

9) It is not possible to predict the amount of any potential community benefit charge revenue at this time. To do so would require a draft regulation, the prescribed percentage, rates and rules applicable in a two tier structure, and details regarding capital cost eligibility. Staff expect that a capped community benefits charge will result in a significant revenue loss to municipalities.

Other Department Consultations/Concurrence:

Staff from Legal Services, Community Planning and Housing Services provided input to this report.

Attachments:

Nil

Prepared By: Craig Dyer, Commissioner, Corporate Services/Chief Financial Officer

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