Appendix A
to F-10-23

Assessment of the *More Homes Built Faster Act*

City of Burlington

Watson & Associates Economists Ltd.
905-272-3600
info@watsonecon.ca

March 13, 2023

March 13, 2023

Reena Bajwa
Coordinator of Financial Strategies and Business Consulting
City of Burlington
426 Brant St.
Burlington, ON, L7R 3Z6

Dear Reena Bajwa:

Re: <u>Assessment of the *More Homes Built Faster Act*</u>

The City of Burlington (City) retained Watson & Associates Economists Ltd. (Watson) to prepare an assessment of the impacts of the *More Homes Built Faster Act* (MHBFA) on the City's capital funding sources. The following sections provide an assessment of the City's 10-Year housing forecast, based on the City's 2022 Community Benefits Charges (C.B.C.) Strategy Forecast, and the associated fiscal impacts associated with the amendments to the *Development Charges Act* (D.C.A.), C.B.C. and parkland dedication requirements under s.37 and s. 42 of the *Planning Act* respectively.

It should be noted, that the Ministry of Municipal Affairs and Housing has identified an additional 17,600 housing units for the City of Burlington over the 2021-2031 forecast period, representing a total housing pledge of 29,000 units. These additional units are not included in the City's C.B.C. forecast and have not been included herein.

Also, the City will be commencing with a new D.C. and C.B.C. by-law for Council's consideration in 2024. The new legislative rules identified herein will be further quantified at that time. The City also anticipates amendments to it's current parkland dedication by-law in 2023 to comply with the Planning Act amendments arising from the MHBFA.

1. City of Burlington Housing Demand by Type, Tenure, and Affordability, 2022 to 2032

This section provides an analysis of forecast housing demand for the City over the next 10 years by housing type and tenure (i.e., rental vs. ownership). In accordance with the affordability definitions established in the MHBFA[1], these housing categories are then further broken down by affordable vs. market-based dwellings.

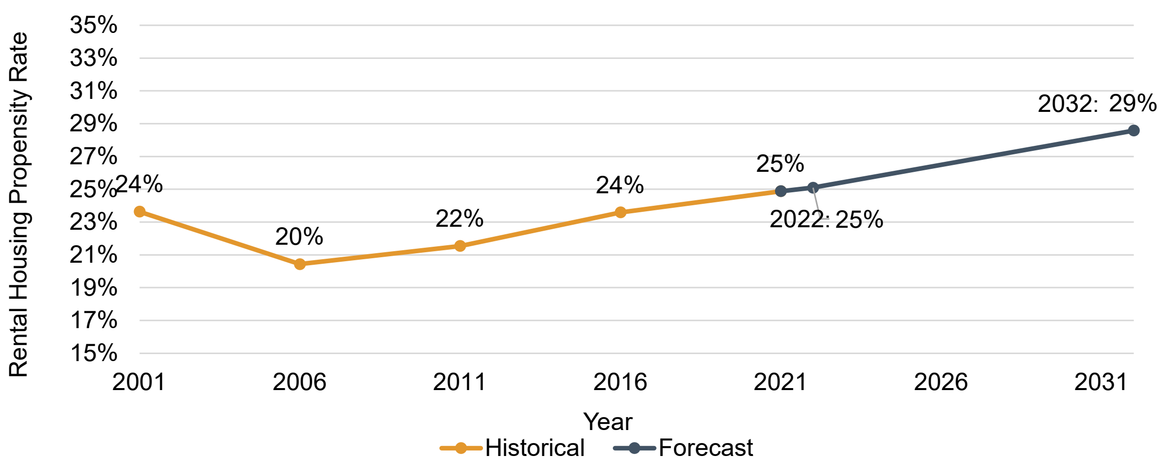
[1] Defined as the rent/sale price no greater than 80 per cent of the average market rent/purchase price. The average market rent/purchase price will be determined by the Minister of Municipal Affairs as

1.1 Housing Demand by Tenure

The City's C.B.C. Strategy forecasts a demand of approximately 11,980 households between 2022 and 2032[2,3,4] Accommodating this level of growth requires a range of housing options by structure type and tenure. The following explores the City's housing needs in greater detail by generating a housing forecast by both type and tenure. A tenure forecast provides greater insight into the City's rental housing needs between 2022 and 2032 by various structure types.

With housing affordability concerns increasing across the Province, the pressure for primary (i.e., purpose built) rental dwellings will continue to grow. Based on a rental housing propensity analysis (as shown in Figure 1-1), the percentage of renter households in the City is forecast to increase from 25% in 2022 to 29% in 2032, which is slightly faster than the rental housing propensity increases observed between 2011 and 2022.

Figure 1-1
City of Burlington
Rental Housing Propensity Rate Forecast, 2022 to 2032



Source: Historical data from Statistics Canada Census. Forecast by Watson & Associates Economists Ltd, 2022.

published in the bulletin entitled the "Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin".

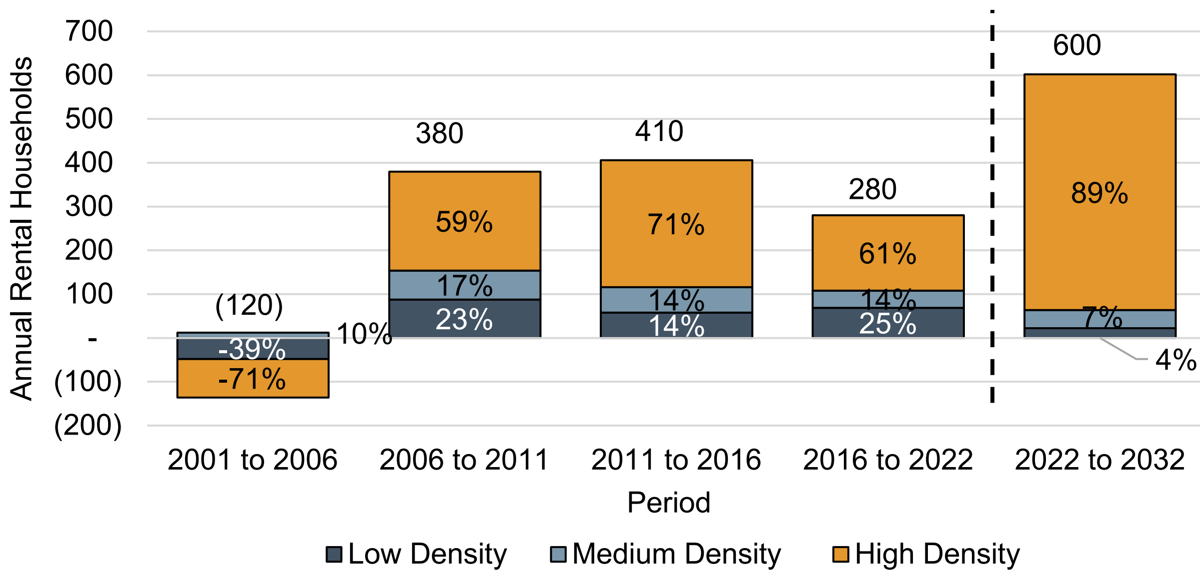
[2] City of Burlington Community Benefits Charge Strategy, Final Report, August 17, 2022, Watson & Associates Economists Ltd.

[3] Relative to the C.B.C. Strategy forecast, the Ministry of Municipal Affairs and Housing has identified an additional 17,600 housing units for the City of Burlington over the 2021 to 2031 forecast period, representing a total housing forecast of 29,000.

[4] The City of Burlington C.B.C. Strategy forecast is derived from the Halton Region Modified Preferred Growth Concept Land Needs Assessment Report, March 2022, prepared by Hemson Consulting Ltd., for the Region of Halton.

Based on the rental housing propensity forecast, rental housing in the City is expected to increase from approximately 18,500 units in 2022 to 24,500 in 2032. This represents growth of approximately 6,000 units over the period, accounting for 50% of total housing growth. As shown in Figure 1-2, rental dwelling growth in the City over the next decade is forecast to be comprised of 4% low-density (single and semi detached), 7% medium-density (townhomes and duplexes), and 89% high-density households (apartments and secondary units). This represents a shift away from grade-related (low and medium-density) rental dwellings compared to the previous 20 years.

Figure 1-2
City of Burlington
Annual Rental Housing Growth by Structure Type, Historical and Forecast, 2001 to 2032

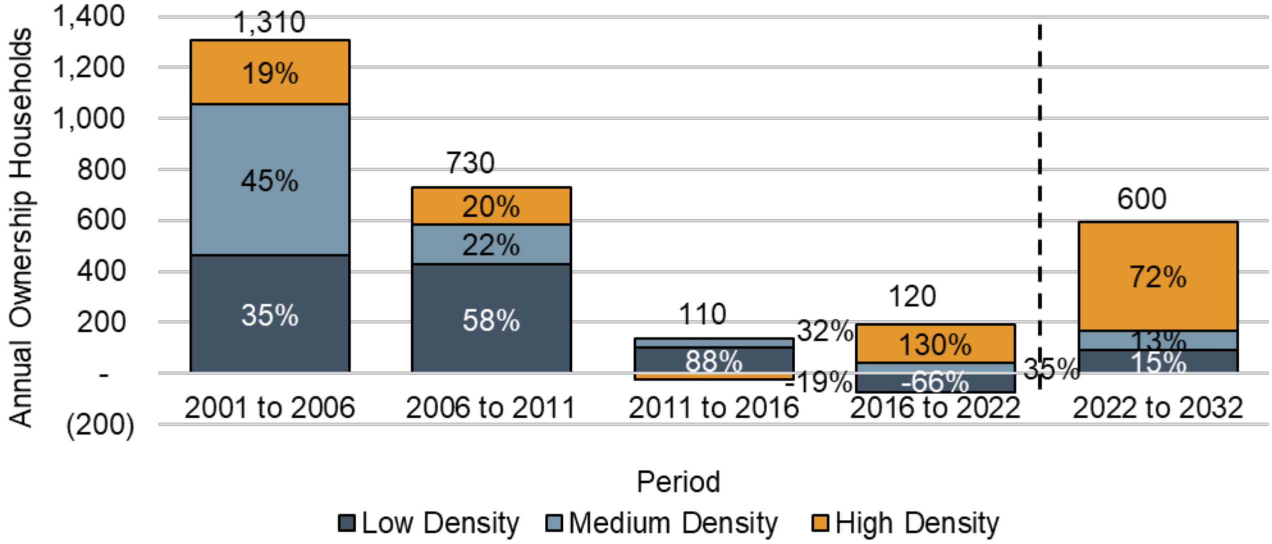


Notes:
- Figures have been rounded.
- Low-density includes single and semi-detached homes.
- Medium density includes townhomes and apartments in duplexes.
- High-density includes bachelor, 1-bedroom, and 2 bedroom+ apartments. Forecast secondary units from 2022 to 2032 are included in the high-density housing category.

Source: Historical data derived from Statistics Canada Census, 2001 to 2021. Total housing forecast, 2022 to 2032, adapted from the City of Burlington Community Benefits Charge Strategy, Final Report, August 17, 2022, Watson & Associates Economists Ltd. Housing forecast by tenure prepared by Watson & Associates Economists Ltd.

While the share of rental dwellings is forecast to increase compared to historical trends from 2001 to 2022, ownership households are still forecast to represent a significant housing tenure in the City, representing 50% of all forecast housing growth between 2022 and 2032. As shown in Figure 1-3, ownership dwellings within the City are forecast to primarily be high-density housing forms (72%), with remaining housing growth within medium-density (13%) and low-density (15%) dwellings. Just over twothirds of forecast high-density housing growth is expected to be in the form of rental dwellings.

Figure 1-3
City of Burlington
Annual Ownership Housing Growth by Structure Type, Historical and Forecast, 2001 to 2032



Notes:

- Figures have been rounded.
- Low-density includes single and semi-detached homes.
- Medium density includes townhomes and apartments in duplexes.
- High-density includes bachelor, 1-bedroom, and 2 bedrooms+ apartments. Forecast secondary units from 2022 to 2032 are included in the high-density housing category.

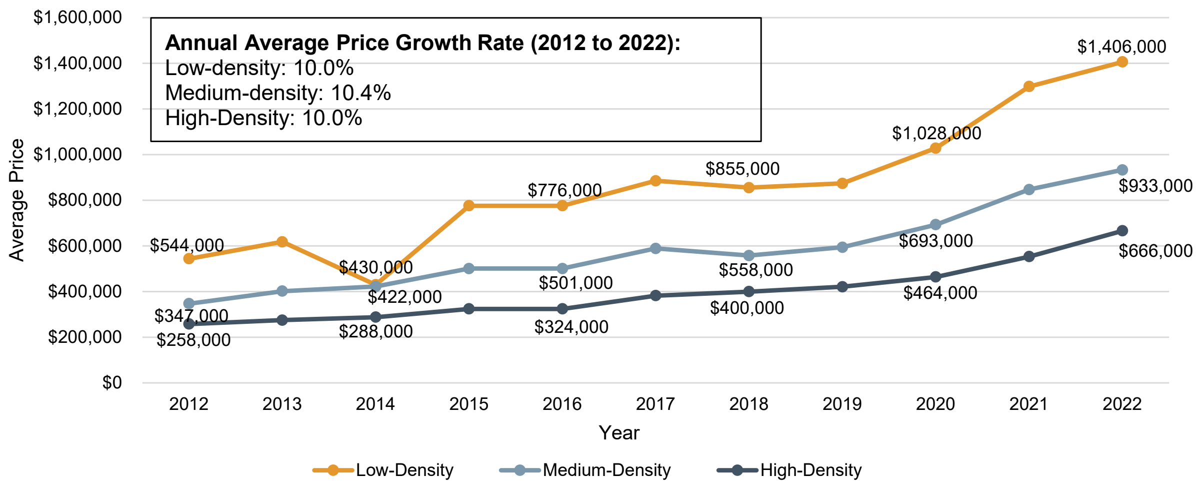
Source: Historical data derived from Statistics Canada Census, 2001 to 2021. Total housing forecast, 2022 to 2032, adapted from the City of Burlington Community Benefits Charge Strategy, Final Report, August 17, 2022, Watson & Associates Economists Ltd. Housing forecast by tenure prepared by Watson & Associates Economists Ltd.

1.2 Housing Affordability Analysis

Figure 1-4 summarizes average sales prices in the City for single-detached, townhome, and apartment dwelling units between 2012 and 2022. All housing types have increased at a comparable rate during this period, single-detached dwellings had increased 158% (10% annual growth rate) from 2012 to 2022, medium-density increased the most by 169% (10% annual growth rate), and high-density by 158% (10% annual growth rate). The Bank of Canada has progressively increased the prime interest rate from 2.45% in November 2022 to 6.7% in February 2023, increasing the cost of borrowing and resulting in a recent reduction of housing prices. The November

2021 to 2022 year-over-year average price decreased 11% for single-detached homes and 8% for medium-density homes. The housing market in the City experienced peak prices in January and February 2022, since then the cost of a single-detached house decreased by 28% in November 2022, 27% for medium-density households and 19% for high-density households. It is important to note that even with decreased housing prices in 2022, the increased prime interest rate further reduces housing affordability. The cost of a dwelling in the City has a direct impact on the type and tenure of housing required to accommodate the wide range of income groups.

Figure 1-4
City of Burlington
Average Sales Price by Dwelling Type, 2012 to 2022



Notes:
- Figures have been rounded.
- Low-density includes detached homes.
- Medium-density includes freehold and condo townhomes.
- High-density includes condominium apartments.

Source: Derived from listing.ca November 2022 year-to-date data (https://burlington. listing.ca/real-estate-price-history.htm) by Watson & Associates Economists Ltd.

In accordance with the definition of affordability in the MHBFA, the housing forecast by tenure and type has been examined from an affordable vs. market-based perspective. As shown in Figure 1-5, households with an income of less than $100,000 can afford a maximum rent of $2,500 per month or a maximum purchase price of $330,000.[5] [6] According to 2022 real estate sale data, the average sales price of a condominium in

[5] Affordability in this context was calculated by assuming a maximum of 30% of household income is spent on shelter costs (property taxes, mortgage payment, monthly maintenance/fees, property insurance, and a down payment of 10%).

[6] The City of Burlington Official Plan, 2020 (Interim Working Version as of February 2021) defines affordable housing as housing with a market price or rent that is affordable to households of low and moderate income spending no more than thirty (30) percent of their gross household income.

Burlington is $666,000, a townhouse is $933,000 and single-detached home is $1,406,000.[7] With a significant number of households unable to afford a new ownership dwelling, a shift in dwelling tenure and type is required to provide more affordable rental stock within the City. The City's current development application pipeline supports the shift towards high-density units, as 90% of all units in development approvals are categorized as high-density.[8] However, a further review of the City's active development applications by tenure would be required to more accurately assess the alignment of affordable housing supply with demand. Accordingly, under the 10-year forecast for the City, it is assumed that 33% of new housing units will serve households with an income of $100,000 or less.[9] Further observations are provided below:

- To accommodate the lowest income segments of the City's population, it is assumed that 30% of new rental units will accommodate households with an annual household income under $40,000, paying a maximum rent of $1,000 monthly – rental assistance will likely be required for these households.
- Household annual incomes of less than $150,000 are defined as having limited home ownership options. These households can afford a dwelling cost up to $495,000. Based on November year-to-date housing sales data illustrated in Figure 1-4, many of these households would not be able to afford any dwelling type unless purchasing a dwelling that would be classified as affordable under the MHBFA or by providing substantial down payments to significantly reduce the amount spent on mortgage payments.
- Households with an annual income between $150,000 and $200,000 would have limited market housing options, particularly related to grade-related housing forms. Households with income greater than $200,000 have the widest range of market housing options in the City. It is assumed that over two fifths of new ownership households in the City will be purchased by this $200,000 and greater household income group.

[7] Real estate data derived from https://burlington.listing.ca/real-estate-price-history.htm
[8] High-density includes apartments and stacked townhomes.
[9] Households with an income of less than $100,000 represent 45% of the housing stock according to the 2021 Census. This household income category is expected to remain stable comprising 46% of households by 2032.

Figure 1-5
City of Burlington
Housing Affordability Forecast by Tenure, 2022 to 2032

Household Income	Home Ownership (Dwelling Cost)	Rent (Month)	Forecast Growth, 2022 to 2032		Rental Type	Ownership Type
			Rental Dwellings	Ownership Dwellings		
Under $20,000	Less than $65000	Less than $500	440	40	Rental Assistance	Home Ownership - Need for Sufficient Pre-Existing Equity or Affordable Dwellings
$20,000 to $39,999	$65000 to $130000	$500 to $1,000	1,340	160		
$40,000 to $59,999	$130000 to $200000	$1,000 to $1,500	1,240	250		
$60,000 to $79,999	$200000 to $265000	$1,500 to $2,000	960	300	Potential Need for Rental Assistance	
$80,000 to $99,999	$265000 to $330000	$2,000 to $2,500	710	310		
$100,000 to $124,999	$330000 to $415000	$2,500 to $3,125	490	370	Free Market	
$125,000 to $149,999	$415000 to $495000	$3,125 to $3,750	270	320		
$150,000 to $199,999	$495000 to $660000	$3,750 to $5,000	280	1,680		
$200,000 and over	Greater than $660000	$5,000 and higher	290	2,540		Home Ownership - Wide Options
Total			**6,020**	**5,970**		

Source: Watson & Associates Economists Ltd.

The City's 10-year housing forecast by structure type and tenure has been further analyzed to determine the number of affordable vs. market-based units in each category. The affordability of a unit is calculated against the average market rent or the average purchase price of a unit by structure type within a given year.[10] As demonstrated previously in Figure 1-5, nearly all household income groups below $200,000 within the City would not be able to afford a dwelling of any structure type based on a minimum down payment, but it is assumed that those occupied by maintainers in older age groups have accumulated home equity and other assets that can contribute to home downpayments.[11] Accordingly, general assumptions have been made regarding down payment contributions by age of primary household maintainer, household income, and dwelling type. From these assumptions, a need for affordable dwellings is calculated for both rental and ownership households by structure type. Figure 1-6 displays the results of this analysis. The following can be observed:

- Only 23% of low-density units are forecast as affordable dwellings. While this is the least affordable dwelling type, this is also the lowest housing growth category over the next 10-years due to diminishing demand and minimal vacant land opportunities for low-density development within the City.[12]
- Based on the anticipated family structures and household incomes within the City, it is assumed that 28% of ownership low-density units will need to be

[10] MHBFA does not currently specify whether affordability will be calculated against the aggregate average annual housing value *across* all dwelling types or the average annual value *within* each dwelling type. This analysis assumes the latter. If future legislature establishes that affordability is calculated against an aggregate value across all dwelling types, then the percentage of affordable dwellings captured through this work dramatically increase. Similarly, it is unclear how future policy will define the level of geography at which affordability is calculated against.
[11] For the purposes of this analysis, the minimum down payment used is 10%.
[12] Grade-related housing includes low and medium-density housing units.

affordable. Increases in the low-density rental housing stock would not qualify as an affordable rental unit since they would not be purpose-built rental dwellings[13].

- Medium-density units are forecast to account for 7% of all new rental dwellings in the City in the next decade, while forming 13% of the ownership housing growth as well. Across ownership and rental units, 30% of medium-density dwellings are forecast as affordable.
- High-density units are anticipated to form the largest component of housing growth in the City. There are approximately 9,400 high-density dwellings forecast over the next 10 years, with over half (54%) expected within the rental category and just under half (46%) in the ownership category. Of these total high-density units, approximately one-third (32%) are forecast as affordable over the next decade.
- Lastly, secondary units are a component of the high-density forecast. These units are already exempt from development charges (D.C.s) and as such, are considered to be affordable.

Figure 1-6
City of Burlington
Housing Growth by Tenure 2022 to 2032

Density Type	Ownership			Rental			Total		
	Affordable	Market Based	Total	Affordable	Market Based	Total	Affordable	Market Based	Total
Low Density	260	650	910	0	230	230	260	880	1,140
Medium Density	260	510	770	100	320	420	360	830	1,190
High Density	1,460	2,810	4,270	1,510	3,590	5,100	2,970	6,400	9,370
Secondary Units	0	0	0	280	0	280	280	0	280
Total	**1,980**	**3,970**	**5,950**	**1,890**	**4,140**	**6,030**	**3,870**	**8,110**	**11,980**

Density Type	Ownership			Rental			Total		
	Affordable	Market Based	Total	Affordable	Market Based	Total	Affordable	Market Based	Total
Low Density	29%	71%	100%	0%	100%	100%	23%	77%	100%
Medium Density	34%	66%	100%	24%	76%	100%	30%	70%	100%
High Density	34%	66%	100%	30%	70%	100%	32%	68%	100%
Secondary Units	0%	0%	0%	100%	0%	100%	100%	0%	100%
Total	**33%**	**67%**	**100%**	**31%**	**69%**	**100%**	**32%**	**68%**	**100%**

Notes:
- Figures have been rounded.
- Low-density includes single and semi-detached homes.

[13] It is assumed that increases in the low-density rental stock are achieved through the secondary rental market, rather than the primary-built rental market. This implies that the home purchaser would function as a landlord, by renting the low-density dwelling. Since affordability would be calculated on the purchase price of the home in this instance, this would not be captured under the affordable rental category.

- Medium density includes townhomes and apartments in duplexes.
- High-density includes bachelor, 1-bedroom, and 2 bedrooms+ apartments.

Source: Watson & Associates Economists Ltd.

2. Development Charges

2.1 More Homes Built Faster Act Amendments to the D.C.A.

The major amendments to the D.C.A. considered herein include:

- Mandatory 5-year phase-in for all D.C. by-laws passed after January 1, 2022;
- Additional statutory exemptions for additional residential units, affordable units and non-profit housing;
- Discount for rental housing development;
- Extension of the historic level of service calculation period from 10-years to 15-years;
- Removal of studies from eligible capital costs[14]; and
- D.C. by-laws would expire ten years after the in-force date.

2.2 Assessment of Mandatory D.C. Phase-in

The City's amended D.C. By-law came into effect on April 1, 2022. The transition rules with respect to the D.C.A. amendments under the MHBFA have affected the amount of D.C.s that the City can impose. The following outlines the mandatory phase-in provisions for D.C. by-laws passed after January 1, 2022:

- Year 1 – 80% of the maximum charge;
- Year 2 – 85% of the maximum charge;
- Year 3 – 90% of the maximum charge;
- Year 4 – 95% of the maximum charge; and
- Year 5 to expiry – 100% of the maximum charge.

[14] Land may be excluded as an eligible capital cost, if prescribed for certain services. At the time of writing no regulation has been filed in this regard, land costs have been maintained.

Figure 1-7 compares the total D.C. revenue forecast based on the City's amended D.C. by-law rates and forecast development, with the total D.C. revenue forecast including the mandatory phase-in provisions. To assess the impact of this change, we considered the actual D.C. revenue collected under the City's current by-law in 2022, accounting for the phase-in provisions effective November 28, 2022. For years 2023-2026, forecast D.C. revenues were calculated based on the D.C.A. phase-in provisions and the forecast development in Figure 1-6.

As shown in Figure 1-7, prior to the MHBFA amendments, the City's D.C. revenue forecast totalled $63.6 million for the period 2022-2026 (in 2022$). Due to the mandatory phase-in provisions, the recovery will be reduced to approximately $58.3 million, which results in an estimated D.C. revenue loss of $5.3 million or 8%.

Figure 1-7
City of Burlington
Changes in D.C. Revenue as a Result of Mandatory Phase-in (2022$)

	2022	2023	2024	2025	2026	Total
Actual D.C. Revenue & Forecast (2022$)	$ 3,825,884	$ 12,511,037	$ 13,257,965	$ 14,004,892	$ 14,751,820	**$ 58,351,597**
Revenue without Phase-in as per MHBFA (2022$)	$ 3,874,860	$ 14,938,552	$ 14,938,552	$ 14,938,552	$ 14,938,552	**$ 63,629,066**
Revenue Loss Related to Phase-in Provisions under MHBFA (2022$)	**$ (48,976)**	**$ (2,427,515)**	**$ (1,680,587)**	**$ (933,659)**	**$ (186,732)**	**$ (5,277,469)**

2.3 Assessment of Additional Statutory Exemptions and Rental Housing Discount

The assessment of the D.C. revenue impacts related to the additional statutory exemptions and discounts for rental housing are calculated based on the growth forecast assumption for the 2022-2032 period as summarized in Figure 1-6. For the purposes of this assessment:

- The additional residential units are included in the 10-year forecast as secondary units.
- Affordable units include rental, ownership, and inclusionary zoning units. These units would also include non-profit housing units[15].

[15] The D.C.A. amendments provide statutory exemptions for attainable units. These units do not include affordable units and rental units. These units will be defined by regulation. As regulations have not been filed at the time of writing no units are included herein.

- The D.C.A. defines rental housing development as “development of a building or structure with four or more residential units all of which are intended for use as rented residential premises”. As such, is assumed that only purpose-built high-density residential rental development in the forecast would quality for this discount. For these types of development, the D.C. will be reduced based on the number of bedrooms in each unit as follows:
  - Three or more bedrooms – 25% reduction;
  - Two bedrooms – 20% reduction; and
  - All other bedroom quantities – 15% reduction.

- Pre-MHBFA exemption and rental discount revenues include the mandatory phase-in rates used in Figure 1-7 as not to double count the revenue loss.

It should be noted that the statutory exemption for additional residential units and the discount for rental housing development is in force as of November 28, 2022. The statutory exemptions for affordable housing will be proclaimed on a future date and are currently not in force. For calculation purposes, the affordable housing exemptions are assumed to be effective mid-year 2023, as such building permits issued between 2022 and mid-2023 are not exempt from D.C.s as the Bulletin has not yet been provided by the Province to make these exemptions effective.

As summarized in Figure 1-8, the estimated D.C. revenue for the forecast residential development would total $105.9 million, based on current City D.C. rates. The proposed additional statutory exemptions are anticipated to reduce D.C. revenues by $28.6 million over the period. This represents a reduction of approximately 27% in total residential D.C. revenues for the period. The composition of the revenue loss includes ownership units accounting for $17.0 million and rental units $11.6 million.

Rental housing development discounts are accounted for in both revenue forecasts, as these were effective November 28, 2022. The purpose-built rental housing discount totals approximately $0.9 million over the forecast period. The distribution of high-density residential units by bedrooms was taken from the City’s 2021 D.C. Update Study, which provides for an overall D.C. discount of 18.8% for the forecast high-density rental development.

The expansion of the additional residential unit exemption, as forecast for secondary units, is expected to be minimal. This is due to only an expansion in the exemption for an additional residential unit in semi-detached and row dwellings as compared the D.C.A. prior to the recent amendments.

Figure 1-8
City of Burlington
Comparison of 2022-2032 Residential D.C. Revenue Forecast

Dwelling Unit Type	D.C. Treatment		City-Wide Fully Phased-in D.C./Unit April 2022[1][2]	2022-2032 Dwelling Unit Forecast	D.C. Revenue (2022$)[3]		
	Pre MHBFA	Post MHBFA			Pre MHBFA Exemptions and Discounts	With MHBFA Exemptions and Discounts	Difference
Low Density							
Ownership							
Affordable	Charged	Exempt	$ 18,641	263	4,625,857	613,418	(4,012,440)
Market	Charged	Charged	$ 18,641	652	11,468,718	11,468,718	-
Rental							
Affordable	Charged	Exempt	$ 18,641	-	-	-	-
Market	Charged	Charged	$ 18,641	225	3,955,156	3,955,156	-
Medium Density							
Ownership							
Affordable	Charged	Exempt	$ 12,517	260	3,078,802	391,155	(2,687,647)
Market	Charged	Charged	$ 12,517	511	6,042,148	6,042,148	-
Rental							
Affordable	Charged	Exempt	$ 12,517	95	1,123,739	142,768	(980,971)
Market	Charged	Charged	$ 12,517	315	3,726,649	3,726,649	-
High Density							
Ownership							
Affordable	Charged	Exempt	$ 8,558	1,462	11,821,903	1,523,564	(10,298,338)
Market	Charged	Charged	$ 8,558	2,812	22,742,750	22,742,750	-
Rental							
Affordable	Charged	Exempt	$ 8,558	1,510	12,213,791	1,574,070	(10,639,722)
Market (secondary market)	Charged	Charged	$ 8,558	2,998	24,243,196	24,243,196	-
Market (purpose-built)	Charged	Reduced[4]	$ 8,558	596	3,913,189	3,913,189	-
Secondary Units							
Ownership							
Affordable	Partially Exempt[5]	Exempt	$ 6,985	-	-	-	-
Market	Partially Exempt[5]	Exempt	$ 6,985	-	-	-	-
Rental							
Affordable	Partially Exempt[5]	Exempt	$ 6,985	280	-	-	-
Market	Partially Exempt[5]	Exempt	$ 6,985	-	-	-	-
Total				**11,979**	**108,955,899**	**80,336,781**	**(28,619,118)**

[1] Medium Density D.C. rate is based on weighting of 3 bedroom and greater units of 68% and 2 bedroom and smaller units of 32%, based on 2019 D.C. Background Study.

[2] High Density D.C. rate based on weighting of 2 bedroom and greater units of 63% and bachelor and 1 bedroom units of 37%, based on 2019 D.C. Background Study.

[3] Based on mandatory phased-in rates from 2022 amending by-law. Assumes affordable housing exemption in-force mid-2023. No attainable housing exemptions provided.

[4] More Homes Built Faster Act provides for reductions in D.C. of 25% for 3 bedroom and greater units, 20% for 2 bedroom units, and 15% for all other units. Based on weighting in 2019 D.C. Background Study a reduction of 18.8% is provided.

[5] More Homes Built Faster Act provides for additional exemptions for secondary units within semi-detached and row dwellings. Additional exemptions are anticipated to be minimal as development is primarily related to single detached dwellings.

2.4 Assessment of the Changes to Historic Level of Service Cap and Removal of Studies

The D.C.A. amendments under the MHBFA for the expansion of the historic level of service and the removal of studies from the definition of capital costs, will affect the City's upcoming D.C. by-laws. We have undertaken an assessment to evaluate the impacts of the D.C.A. relative to the City's 2021 D.C. Update Study. The following addresses each item.

2.4.1 Historic Level of Service

At the time of preparing the City's 2021 D.C. Update Study, the increase in need for service had to be measured relative to the average historic level of service over the 10-year period preceding the study. This requirement prevents municipalities from requiring development to pay a charge based on a higher level of service than provided in the City historically on an average cost basis. The calculations in this regard provide a maximum amount of capital costs that can be included in the calculation of the charge on a service-by-service basis, or as commonly referred to as the historic level of service cap.

The MHBFA now extends this period from the 10-year period preceding the study to the 15-year period. To determine the potential impacts, we calculated the historic level of service cap using the 15-year period for the D.C. services included in the 2021 D.C. Update Study. Figure 1-9 compares the cap under the 2021 D.C. Update Study and the recalculated cap for the 15-year historic period. In total the cap would increase by approximately $0.4 million. As such, these amendments provide a positive impact for the City, allowing for additional capital needs unrestricted by the historic level of service cap. Even for services where the cap would be reduced, the increase in capital needs would be within this limit.

As the City will undertake a D.C. Background Study in 2023, it should be noted that the inclusion of additional capital needs identified in the updated Fire Master Plan and a future Park, Recreation, and Cultural Assets Master Plan, may be impacted by the changes in calculating the historic level of service cap.

Figure 1-9
City of Burlington
Comparison of 2021 D.C. Update Study Historic Level of Service Cap

D.C. Service/Service Component	2021 DCBS (10-Year HLOS)	2021 DCBS (15-Year HLOS)	Difference
1.1 Transportation			
Roads	197,972,806	200,387,583	2,414,777
Bridges and Culverts	17,348,532	17,216,604	(131,928)
Sidewalks	6,167,634	6,137,950	(29,684)
Traffic Signals & Streetlights	3,738,510	3,785,179	46,670
Domes and Depots	1,230,064	1,264,357	34,293
Transportation - Total	**226,457,545**	**228,791,673**	**2,334,128**
1.2 Fire Protection Services			
Fire Stations	2,938,670	2,837,583	(101,087)
Fire Vehicles	1,205,626	900,544	(305,082)
Fire Equipment	108,648	106,268	(2,380)
Fire Protection Services - Total	**4,252,944**	**3,844,395**	**(408,549)**
1.3 Parks and Recreation Services			
Parkland Development	6,457,774	6,351,478	(106,296)
Recreation Facilities	16,179,762	14,809,097	(1,370,664)
Parks and Recreation Services - Total	**22,637,535**	**21,160,576**	**(1,476,960)**
1.5 Library Services			
Library Facilities	2,003,372	2,024,165	20,792
Library Vehicles & Equipment	8,213	8,096	(117)
Library Services - Total	**2,011,585**	**2,032,261**	**20,676**
Total Municipal Wide Services	**255,359,610**	**255,828,904**	**469,295**

2.4.2 Studies Ineligible Capital Cost

The City's 2021 D.C. Update Study included $1.5 million in gross capital costs for studies, excluding study costs within capital projects such as design and EA studies. The D.C. recoverable share of these costs totalled $0.7 million. In the context of the total D.C. recoverable costs over the D.C. forecast period, this lost revenue would equate to approximately 0.85% of total D.C. eligible capital costs. In future D.C. by-laws, studies will not longer be eligible capital costs for inclusion. While this does not affect studies funded under the current by-law, these studies will have to be funded from non-D.C. sources once a new by-law is adopted.

3. Community Benefit Charges

3.1 More Homes Built Faster Act Amendments to Section 37 of the Planning Act

The major amendments to section 37 of the *Planning Act* regarding community benefit charges considered herein include additional statutory exemptions for affordable units. Similar to the D.C. analysis, the C.B.C. revenue impacts related to the additional statutory exemptions are calculated based on the growth forecast assumptions summarized in Figure 1-6. For the purposes of this assessment, affordable units include rental, ownership, inclusionary zoning units and non-profit housing units[16]. The statutory exemptions for affordable housing and are currently not in force.

As summarized in Figure 1-10, the effect of the MHBFA on C.B.C. revenue for the forecast residential development is anticipated to reduce C.B.C. revenues by approximately $1.3 million over the period. This represents a reduction of approximately 24% in total residential C.B.C. revenues for the period. The composition of the revenue loss includes:

- Approximately $1.1 million in lost revenue for affordable unit exemptions, with ownership units accounting for $0.54 million and rental units $0.56 million.

Figure 1-10
City of Burlington
Summary of C.B.C. Revenue Impact for Affordable Housing

Dwelling Unit Type	C.B.C. Treatment		City-Wide C.B.C./Unit April 2022[1]	2022-2032 Dwelling Unit Forecast[2]	C.B.C. Revenue (2022$)		
	Pre MHBFA	Post MHBFA			Pre MHBFA	Post MHBFA	Difference
High Density							
Ownership							
Affordable	Charged	Exempt	$ 441	1,437	634,145	95,072	(539,073)
Market	Charged	Charged	$ 441	2,764	1,220,281	1,220,281	-
Rental							
Affordable	Charged	Exempt	$ 441	1,484	655,167	98,224	(556,943)
Market	Charged	Charged	$ 441	3,533	1,559,384	1,559,384	-
Total				**9,218**	**4,068,977**	**2,972,961**	**(1,096,016)**

[1] High Density C.B.C. rate based on weighting of 2 bedroom and greater units of 63% and bachelor and 1 bedroom units of 37%, based on 2022 C.B.C. Background Study.

[2] Based on approximatley 98% of high-density units with buildings containing at least 5 storeys and 10 residential units, based on 2022 C.B.C. Strategy.

[16] The Planning Act amendments pertaining to the C.B.C. provide statutory exemptions for attainable units. These units do not include affordable units and rental units. These units will be defined by regulation. As regulations have not been filed at the time of writing no units are included herein.

4. Parkland Dedication

4.1 *More Homes Built Faster Act* Amendments to Section 42 of the *Planning Act*

The major amendments to section 42 of the *Planning Act* regarding parkland dedication considered herein include:

- Additional residential units, affordable units and non-profit housing will be exempt from parkland dedication;
- The determination of parkland dedication for a building permit issued within two years of a Site Plan and/or Zoning By-law Amendment approval would be subject to the requirements in the by-law as at the date of planning application submission;
- Reduction to the alternative requirement provisions, whereby:
    - For land conveyance, the alternative requirement of 1 hectare (ha.) per 300 dwelling units is reduced to 1 ha. per 600 dwelling units;
    - For payments-in-lieu of land (P.I.L.), the alternative requirement of 1 ha. per 500 dwelling units is reduced to 1 ha. per 1,000 net residential units;
    - Parkland dedication is capped at 10% of the land area, or land value, where the land proposed for development is 5 ha. or less, and 15% of the land area or land value where the land proposed for development is greater than 5 ha.; and
- Owners will be allowed to identify lands to meet parkland conveyance requirements, within regulatory criteria. These lands may include encumbered lands and privately owned public space (POPs). The suitability of land for parks and recreational purposes will be appealable to the Ontario Land Tribunal (OLT).

Similar to the amendments to the *D.C.A.,* the statutory exemptions for affordable housing will be proclaimed at a future date and are not currently in force. Also, the provisions for owners to identify lands for conveyance will be proclaimed at a future date.

4.2 Assessment of Statutory Exemptions and Changes to the Alternative Parkland Dedication Requirements

The assessment of the parkland dedication impacts related to the statutory exemptions and lower of the alternative requirement are calculated based on the growth forecast assumption for the 2022-2032 period, as summarized in Figure 1-6. Moreover, the payments-in-lieu (P.I.L.) of parkland dedication calculations are based on the average land value assumptions of $25.4 million per hectare used in the City's Parkland Dedication By-Law Review Background Study in 2022. These land values will be reviewed by the City in the forthcoming review of the parkland dedication by-law.

Figure 1-11 compares the total amount of parkland dedication (in land conveyance or P.I.L.) under the standard requirements and alternative requirements prior to the MHBFA in force date (November 28, 2022). Figure 1-12 provides the total amount of parkland dedication after the MHBFA amendments are fully in force. The figures also provide the parkland dedication forecast in terms of the parks level of service (i.e., ha. per 1,000 net population) for comparison to the City's existing standard of 3.58 ha. per 1,000 population.

Figure 1-11
City of Burlington
Comparison of Parkland Dedication and Service Level for the Standard and Alternative Parkland Dedication Requirements pre-More *Homes Built Faster Act*

	Housing Growth, 2022 to 2032 by Density Type				
	Low Density	Medium Density	High Density	Secondary Units	Total
Housing Forecast by Dwelling Unit Type	1,140	1,181	9,378	280	11,979
Density (units per net ha.)	10	43	490	n/a	
Net Developable Land Area (ha.)	114.0	27.5	19.1	-	160.6
Average Occupancy (net person per unit)	3.908	2.665	1.814	1.487	
Net Population	4,455	3,147	17,015	416	25,034
Parkland Dedication - Land Conveyance					
Standard Requirement					
Ha. of Land (5% of land area)	**5.7**	**1.4**	**1.0**	**-**	**8.0**
Level of Service (ha. per 1,000 population)	**1.28**	**0.44**	**0.06**	**-**	**0.32**
Alternative Requirement					
Ha. of Land (1 ha. per 300 dwelling units)	**3.8**	**3.9**	**31.3**	**0.9**	**39.9**
Level of Service (ha. per 1,000 population)	**0.85**	**1.25**	**1.84**	**2.24**	**1.60**
Parkland Dedication - Cash-in-Lieu					
Standard Requirement					
CIL (5% of land area)	**$ 144,780,000**	**$ 34,880,698**	**$ 24,306,245**	**$ -**	**$ 203,966,943**
Level of Service (ha. per 1,000 population)	**1.28**	**0.44**	**0.06**	**-**	**0.32**
Alternative Requirement (cash equivalent based on land area and $25.4 million per ha.)					
CIL (1 ha. per 500 dwelling units)	**$ 144,780,000**	**$ 59,994,800**	**$ 476,402,400**	**$ 14,224,000**	**$ 695,401,200**
Level of Service (ha. per 1,000 population)	**1.28**	**0.75**	**1.10**	**1.34**	**1.09**
Alternative Requirement (per unit fee)					
CIL (medium density - $33,400 per unit and high-density - $23,600 per unit)	**$ 144,780,000**	**$ 39,445,400**	**$ 313,225,200**	**$ 9,352,000**	**$ 506,802,600**
Level of Service (ha. per 1,000 population)	**1.28**	**0.49**	**0.72**	**0.88**	**0.80**

Figure 1-12
City of Burlington
Comparison of Parkland Dedication and Service Level for the Standard and Alternative Parkland Dedication Requirements post *More Homes Built Faster Act*

	Housing Growth, 2022 to 2032 by Density Type				
	Low Density	Medium Density	High Density	Secondary Units	Total
Housing Forecast by Dwelling Unit Type	1,140	1,181	9,378	280	11,979
Affordable Housing Units	263	355	2,972	280	3,869
Housing Forecast net of Affordable Housing	877	826	6,406	-	8,110
Density (units per net ha.)	10	43	490	n/a	
Net Developable Land Area (ha.)	87.7	19.2	13.1	-	120.0
Average Site Area per Building Permit (ha.)	0.10	0.02	1.17	-	1.29
Average Units per Building Permit	1	1	573	-	575
Total Building Permits	1,140	1,181	16	-	2,337
Average Occupancy (person per unit)	3.908	2.665	1.814	1.487	
Gross Population (including Affrodable Housing)	4,455	3,147	17,015	416	25,034
Parkland Dedication - Land Conveyance					
Standard Requirement					
Ha. of Land (5% of land area)	**4.4**	**1.0**	**0.7**	**-**	**6.0**
Level of Service (ha. per 1,000 population)	**0.98**	**0.31**	**0.04**	**-**	**0.24**
Alternative Requirement					
Ha. of Land (1 ha. per 600 dwelling units, or capped)	**1.9**	**2.0**	**1.9**	**-**	**5.8**
Level of Service (ha. per 1,000 population)	**0.43**	**0.63**	**0.11**		**0.23**
Parkland Dedication - Cash-in-Lieu					
Standard Requirement					
CIL (5% of land area)	**$ 111,433,571**	**$ 24,387,563**	**$ 16,604,471**	**$ -**	**$ 152,425,605**
Level of Service (ha. per 1,000 population)	**0.98**	**0.31**	**0.04**	**-**	**0.24**
Alternative Requirement (cash equivalent based on land area and $25.4 million per ha.)					
CIL (1 ha. per 1,000 dwelling units, or capped)	**$ 111,433,571**	**$ 29,997,400**	**$ 48,612,490**	**$ -**	**$ 190,043,461**
Level of Service (ha. per 1,000 population)	**0.98**	**0.38**	**0.11**	**-**	**0.30**
Alternative Requirement (per unit fee)					
CIL (medium density - $33,400 per unit and high-density - $23,600 per unit, or capped)	**$ 111,433,571**	**$ 27,579,069**	**$ 33,208,942**	**$ -**	**$ 172,221,583**
Level of Service (ha. per 1,000 population)	**0.98**	**0.35**	**0.08**	**-**	**0.27**

Comparing the parkland dedication, applying the standard requirement:

- Prior to the amendments, the forecast development would yield 8.0 ha. of parkland if land was conveyed or P.I.L. taken. This would have resulted in a service level of 0.32 ha. per 1,000 population.

- The amended provisions of s.42 of the *Planning Act* would yield 6.0 ha. of parkland. The service level is reduced to 0.24 ha. per 1,000 population. This reduction is reflective of the exemption of affordable housing developments.

- This would result in a reduction in parkland conveyed or P.I.L. of approximately 2.0 ha. over the forecast period. At an average land value of $25.4 million per ha.[17], this would equate to a shortfall of $51.5 million in parkland funding.

Comparing the parkland dedication, applying the alternative requirement:

- Prior to the amendments, the forecast development would yield 39.9 ha. of parkland if land was conveyed, or $507-$695 million in P.I.L. revenue at an assumed value of $25.4 million per ha. These provisions would have resulted in a service level of 0.80 – 1.60 ha. per 1,000 population.

- The amended provisions would yield 5.8 ha. of parkland if land was conveyed, or $172-$190 million in P.I.L. revenues. The service level achieved under these amended provisions is 0.23-0.30 ha. per 1,000 population. This reduction is reflective of the exemption for affordable housing development, the reduced alternative requirement standards, and the cap for parkland development based on site area.

The amended provisions for parkland dedication would result in a 25% reduction in the amount of parkland conveyed (i.e. 6.0 ha. vs. 8.0 ha.). when applying the standard parkland dedication requirements. When applying amended alternative parkland dedication requirements, land conveyance would be reduced by 85% (i.e. 5.8 ha. vs. 39.9 ha.). P.I.L. of parkland dedication revenues would be reduced by 70% or approximately $420 million over the forecast period. The forecast levels of service for parkland under the alternative requirements for land conveyance (i.e., 0.23 ha. per 1,000 population) would be similar to the standard requirements for land conveyance (i.e., 0.24 ha. per 1,000 population) and P.I.L. alternative requirements of 0.27-0.30 ha. per 1,000 population.

5. Conclusions

The City forecasts to experience increasing growth pressures over the next several decades. Looking forward at the next ten years, housing affordability concerns will place greater emphasize on providing a wider range of dwelling types to accommodate households with lower incomes and insufficient down payment capabilities. Section 1 of this report explored forecast housing trends by structure type, tenure, household income, age of primary maintainer, and housing prices. Together, this analysis has informed the number of affordable dwellings that will be required over the next decade

[17] Average parkland value provided by City staff as part of the City of Burlington Parkland Dedication By-Law Review Background Study, June 20, 2022.

to accommodate a wide range of household incomes within the City. The Halton Region M.C.R. established the number of forecast dwellings by structure type in the City, but it is essential that the City consider the households that can afford these dwellings and how these homes get delivered to accommodate a diverse pattern of household incomes.

Based on the forecasted housing development provided in Figure 1-6, and relative to the 2021 D.C. Update Study, Sections 2 and 3 of this report measured the impacts on the City's D.C. and C.B.C. revenues. Applying the current *D.C.A.* and *Planning Act* rules, the total D.C. and C.B.C. implications would be approximately $36.6 million in lost revenue (2022$).

	Total D.C. and C.B.C. Revenue Impact (2022$)
D.C. Phase-In	$5.3 million
D.C. Exemptions	$28.6 million
D.C. Purpose-Built Rental Discounts	$0.9 million
C.B.C. Discount	$1.1 million
Historic Level of Service	No Impact on Revenues
Studies	$0.7 million
Total	**$36.6 million**

Section 4 of this report projected the impacts of the amended standard requirement and alternative requirement rules for parkland dedication under s. 42 of the *Planning Act*. Based on the development forecast assumptions in Figure 1-6, these amendments would reduce the amount of P.I.L. of parkland dedication by 70%, or approximately $420 million, over the forecast period when applying the alternative requirements.

Yours very truly,

WATSON & ASSOCIATES ECONOMISTS LTD.

Andrew Grunda, MBA, CPA, CMA
Principal