



**SUBJECT: Bill 23 financial impact analysis**

**TO: Corporate Services, Strategy, Risk & Accountability Cttee.**

**FROM: Finance Department**

Report Number: F-10-23

Wards Affected: ALL

File Numbers: 145-26

Date to Committee: March 29, 2023

Date to Council: April 18, 2023

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**Recommendation:**

Receive and file finance department report F-10-23, providing a Bill 23 financial impact analysis.

**PURPOSE:**

The purpose of this report is to provide an overview of the financial impacts of the *More Homes Build Faster Act* (Bill 23) on the City's development charges, community benefits charge and park dedication funding tools.

**Vision to Focus Alignment:**

- Increase economic prosperity and community responsive city growth

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**Background and Discussion:**

On November 28, 2022, the Provincial government enacted specific legislative provisions of Bill 23, impacting the city's revenue collection under the following growth funding tools (GFT): development charges (DC), community benefits charge (CBC) and park dedication (PD). The intent of Bill 23 legislation is:

- Building more homes;
- Reducing costs, fees and taxes;
- Streamlining development approvals;
- Helping homebuyers and renters

Staff provided comments on the Environmental Registry of Ontario (ERO 019-6172) and in previous Council report CS-12-22. Overall, conveying that the changes proposed in Bill 23, namely those impacting development charges, parkland dedication fees (including land conveyance) and community benefits charges, will have significant and broad sweeping consequences to municipal finances.

Bill 23 is contrary to the city's long-standing guiding principle in which "*Growth Pays for Growth*". That new growth is financially sustainable and that development related charges apply to growth related infrastructure, facilities and parks to support the development of complete communities. The principle of growth paying for growth is a critical consideration to avoid or minimize the burden of growth costs falling on existing taxpayers.

### **Strategy/process**

The City retained Watson & Associates Economists Ltd. (Watson) to provide an assessment of the financial impact from the enactment of Bill 23. Appendix A provides the details of the assessment specific to the following:

- Development Charges impact from;
  - additional statutory exemptions and discounts
  - mandatory DC phase-in
  - extension of historical service level from 10 to 15 years
  - removal of studies as eligible capital costs
- Community Benefits Charge impact from;
  - Additional statutory exemptions for affordable and attainable residential units, inclusionary zoning units, and non-profit housing.
- Preliminary impacts to the park dedication yield and equivalent cash-in-lieu (CIL) of parkland under the amended provisions compared to the city's existing parkland dedication by-law

Watson & Associates have an extensive background, broad experience and knowledge of Development Charges, Community Benefits Charge and Parkland Dedication. Most recently in 2022, Watson & Associates has been involved in the DC amendment, development of the CBC strategy and amendment to the park dedication by-law for the city.

## Financial Matters:

In summary, the total DC and CBC revenue loss resulting from changes in Bill 23 legislation will be approximately \$36.6 million, as shown in the Table below, as extracted from Appendix A.

	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
<b>Total</b>	<b>\$36.6 million</b>

The *DC Act*, and *Planning Act* contained amendments pertaining to the DCs and CBC respectively providing additional statutory exemptions for attainable units. At the time of providing the attached analysis, these units have not been defined by regulation and as such, were not included in the analysis. Similarly, land may also be excluded as an eligible DC capital cost, if prescribed for certain services, however no regulation is yet available and as such the impact has not been included.

Furthermore, the impact resulting from the amendments to S. 42 of the *Planning Act* related to parkland dedication is estimated to reduce the amount of parkland dedication by approximately \$420 million. This is a preliminary estimate at this time, and is subject to land values, the new Parks Provisioning Master Plan, and appeal to the city's by-law. A more detailed analysis will be completed in Q2 with the update to the parkland study and new park dedication by-law.

### Total Financial Impact

The cost of the assessment of the Bill 23 impact analysis, inclusive of the updated Parkland Study which will be coming forward in May, will be completed at a cost of \$28,000 (not including HST) and funded by a prior approved capital project.

## **Next Steps**

Staff are working towards updating the Development Charges Background Study and Community Benefits Strategy for completion in Q1 2024 to align with the changes resulting from Bill 23 legislation and update the city's growth-related capital needs, prior to the DC by-law expiration of June 1, 2024. The studies are being completed concurrently to take advantage of process synergies and to maximize the recovery of eligible capital services. Wherever possible, staff will include master plans completed to inform the eligible capital needs.

Furthermore, a new park dedication by-law will be brought forward to Council in May 2023 along with a more detailed financial impact analysis arising from Bill 23. The new parkland dedication by-law will align to legislation changes from Bill 23 and the City's completed Parks Provisioning Master Plan.

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## **Climate Implications**

Not applicable.

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## **Engagement Matters:**

Not applicable.

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## **Conclusion:**

In summary, based on the financial assessment completed by Watson & Associates (Appendix A), the passing of Bill 23 legislation will have a significant financial impact on the City's revenue collection for development charges, community benefits charge, and park dedication (cash-in-lieu/land conveyance).

In late 2022, the Province committed to "ensuring municipalities are kept whole for any impact to their ability to fund housing enabling infrastructure because of Bill 23". To date, no further information has been provided. Without this funding, it is inevitable that growth related projects will be delayed and it will become necessary to use tax supported funds to ensure growth-related infrastructure is provided for complete communities.

Respectfully submitted,

Reena Bajwa

Coordinator of Financial Strategies and Business Consulting

**Appendices:**

- A. Watson & Associates Assessment of the More Homes Built Faster Act

**Report Approval:**

All reports are reviewed and/or approved by Department Director, the Chief Financial Officer and the Executive Director of Legal Services & Corporation Counsel.