

SUBMISSION TO THE  
STANDING COMMITTEE  
ON SOCIAL POLICY ON  
BILL 73

NOVEMBER 2, 2015



Federation of Rental-housing  
Providers of Ontario

BILL 73: AN ACT TO AMEND THE  
DEVELOPMENT CHARGES ACT,  
1997 AND THE PLANNING ACT

## SUBMISSION TO THE STANDING COMMITTEE ON SOCIAL JUSTICE POLICY ON BILL 73, SMART GROWTH FOR OUR COMMUNITIES ACT 2015

FRPO represents over 2,200 landlords and property managers who provide homes to over 350,000 Ontario households. In total, one-third of Ontarians live in rental housing.

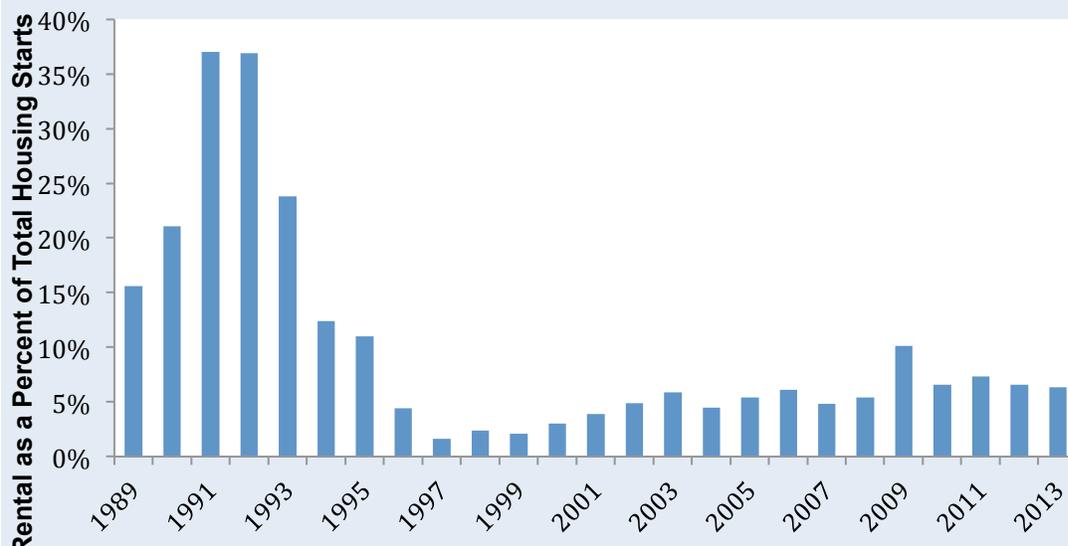
FRPO supports any measure that improves transparency and accountability when it comes to the administration and operation of government initiatives. And Bill 73 concerning municipal development charges is no exception to this position.

However, we are concerned that these proposed changes will increase the existing high cost of development of rental housing in Ontario, and increase the cost of housing. At a time when the government is reviewing its own long term affordable housing strategy, we hope that any changes to the cost of new housing development be evaluated through the lens of housing affordability.

### Negative Impact of Development Charges on Affordable Rental Housing

The high cost of development charges for new housing in Ontario has led to undesirable consequences for tenants: less units and higher rents. The government should provide exemptions for the construction of new purpose-built rental housing in order to stimulate creation of new units.

#### LEVELS OF CONSTRUCTION OF PURPOSE-BUILT RENTAL UNITS HAS DECLINED OVER TIME



Source: Co-operative Housing Federation of Canada, 2010; CMHC Housing Observer 2013, Housing Market Indicators Data Table, Starts and Completions Survey; CMHC Housing Now 1Q2014.

We recognize that the provincial government is struggling with a significant deficit, while balancing the need to invest in municipal infrastructure and transit.

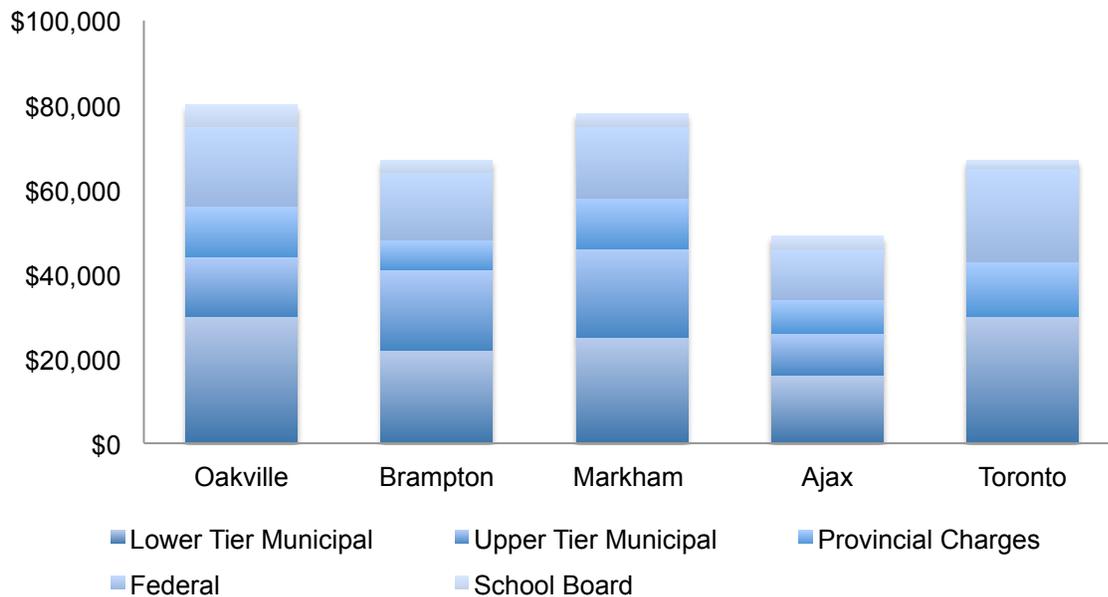
The private rental housing sector in Ontario contributes over \$7 billion a year in tax revenue and \$18.3 billion to the Ontario GDP. This revenue helps to support the cost of new infrastructure, transit, health care and education programs.

We don't believe, however that it is fair to require residential tenants to pay more than their fair share for new transit and infrastructure projects.

Infrastructure projects benefit the entire community and the economy as a whole, not just new tenants or homeowners. It is only through this approach that we will be able to promote an environment focused on providing housing that people can afford now and into the future.

The changes currently being considered in Bill 73 will only serve to increase the immediate cost of building new rental housing in Ontario — the type of housing that is currently badly needed to meet the growing demand of those whose only option is rent versus buy a home.

### DEVELOPMENT CHARGES PER HIGH-RISE APARTMENT, BY LEVEL OF GOVERNMENT

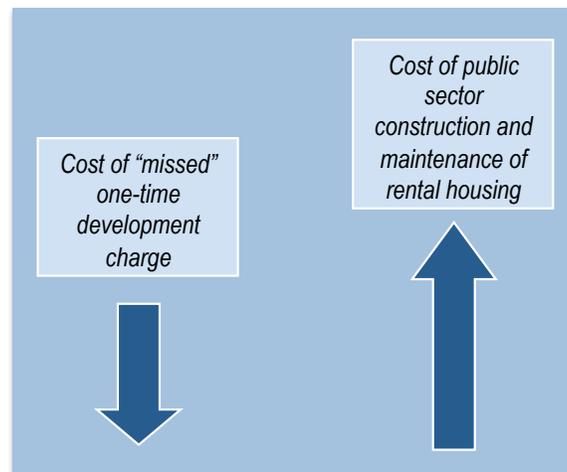


Source: Altus Group, July 23, 2013, "Government Charges and Fees on New Homes in the Greater Toronto Area", prepared for Building Industry and Land Development Association.

Development charges and municipal permit fees are already some of the highest costs incurred by rental housing developers. On average, the cost of development charges and municipal permit fees for a new rental housing building in the City of Toronto is \$7.3 million, or \$24,500 per unit.

Increasing development charges will result in higher rents for tenants, making it less affordable for those who are most in need.

Policies that reduce or waive development charges and fees would have a beneficial effect on the development of new rental housing. Also, the deferral of property assessments for multi-residential rental developments and fair property taxation would also stimulate the construction of new rental housing that is affordable for more households.



As the cost of home ownership continues to increase for Ontarians, we encourage the government to do more to support the development of purpose-built rental housing in Ontario.

Rental housing is an affordable alternative for thousands of families and individuals in Ontario in need of housing.

Over 168,000 households are on the waiting list for affordable housing, and these numbers have not improved over the years. At a time when the government has concluded that the private sector must be a partner in the development of new rental housing, the changes proposed in Bill 73 would not support this partnership goal.

Our members want to work with the government to increase the availability of affordable rental housing in Ontario. There is a proven example in Canada that requires little or no direct investment from government and would be an excellent template for Ontario.

In the City of Vancouver, in recognition of their affordable housing challenges, the private sector and the municipal government have worked in partnership to build thousands of new rental housing units.

In order to reduce costs, the City of Vancouver provided developers with relief from development charges and other incentives to make the rents more affordable for tenants.

This public-private partnership has been successful in building over 3,700 new rental housing units in the City of Vancouver since 2010, with the goal to create 5,000 new units. On a proportional basis, this would be equivalent to 90,000 new rental homes in Ontario.

While we have started to see an emerging confidence from developers to build new rental housing, we can't afford to increase the burden on the fragile rental housing market.

Ontario's private sector housing developers and providers are eager to work with the government to be part of the long-term solution to create more housing that people can afford.

### **A Fair, Accountable and Transparent System of Development Charges**

Keeping a balance toward fair and predictable development charges across the province will help investors build new supply for the rental market – helping to keep new housing affordable. There must also be greater accountability and transparency by municipal governments so that residents of new housing developments understand that up to one quarter of the cost of their new home is to pay for the infrastructure used by the broader community.

Recently, new transit strategies have suggested that developers should have to pay for transit into Toronto. Although this proposed tax would not affect existing properties, it would deliver a decisive blow to new investors and new residents. Recent data from the Ontario Home Builders' Association suggests that new homebuyers and new businesses paid more than \$1.3 billion in development charges across Ontario.<sup>1</sup>

Also, there is no assurance that development charges that are collected by municipalities are used to actually fund the public facilities that are required. There must be greater accountability measures to ensure that residents of new homes directly benefit from the infrastructure that is funded by their development charges.

Any increases to development charges must be fair and predictable. If development charges were to increase excessively, the incentive for investors to build new units decreases. Shorter supply will ultimately mean higher rents across the province.

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<sup>1</sup> OHBA-BILD-HHBA Response to MetroLinx Investment Strategy July 8 2013

In the case of new rental housing, projects are even more sensitive to development charge increases. Investments take a much longer period of time to recover through long-term collection of rents, compared to costs of new owner-occupied projects.

## Conclusion

The province and municipalities must consider affordability and fairness within the *Development Charges Act*, and prevent development charges from being used as a new “tax”, whereby new residential communities are forced to finance long-term municipal infrastructure deficits. Growth should pay for growth, but municipalities must not rely on development charges to pay for infrastructure projects that benefit existing residents. There must be greater fairness, accountability and transparency in all growth related taxes, fees and charges.