



**ONPHA**

Ontario  
Non-Profit Housing  
Association

# **ONPHA Submission: Development Charges Consultation**

**December 2013**



## About ONPHA

The Ontario Non-Profit Housing Association (ONPHA) represents 770 non-profit housing providers in 220 communities across Ontario. ONPHA members operate more than 160,000 non-profit housing units and provide housing for approximately 400,000 people including seniors, low-income families with children, Aboriginal people, the working poor, victims of violence and abuse, people living with developmental disabilities, mental illness, HIV/AIDS or addictions, and the formerly homeless/hard-to-house.

## Context

Ontario is reviewing its development charges system to make sure it is predictable, transparent, cost-effective and responsive to the changing needs of communities. ONPHA's interest in this matter stems from its role as a representative of organizations engaged in the development, acquisition and management of affordable housing serving the populations noted above.

In Ontario, the design and delivery of affordable housing is a local responsibility, though necessary funding flows from senior levels of government. For communities to be successful in meeting local housing needs, they require a proper array of revenue and planning tools and adequate, sustained senior government funding.

Current provincial and federal funding levels are not adequate to meet the affordable housing needs of Ontario communities.<sup>1</sup> The development charges system can be structured to help smooth the path for construction of new affordable housing.

## ONPHA's Recommendations

This section contains ONPHA's recommendations organized as responses to selected questions posed by the development charges consultation document.

***5. The Development Charges Act, 1997, allows municipalities to collect 100% of growth-related capital costs for specific services. All other eligible services are subject to a 10% discount. Should the list of services subject to a 10% discount be re-examined?***

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<sup>1</sup> ONPHA, *Where's Home 2013: Looking Back and Looking Forward at the Need for Affordable Rental Housing in Ontario* (Toronto: Ontario Non-Profit Housing Association, 2013), <http://www.onpha.on.ca/whereshome>; ONPHA, *Waiting Lists Survey 2013* (Toronto: Ontario Non-Profit Housing Association, 2013), [http://www.onpha.on.ca/AM/Template.cfm?Section=Waiting\\_Lists\\_2013](http://www.onpha.on.ca/AM/Template.cfm?Section=Waiting_Lists_2013).



Some municipalities currently levy development charges for the purpose of supporting affordable housing development in their communities. Halton and Peel are two examples. Ideally, affordable housing would be eligible as a 100% growth related capital cost.

Even in the current discounted context, the Province could help by communicating to municipalities the role that development charges can play in raising funds for local affordable housing initiatives. Some municipalities may not be aware of the options available to them. The Province can also clarify that money collected for the purpose of social or affordable housing through development charges can be used for all affordable housing purposes (e.g. private non-profits) not just in buildings that are directly municipally owned.

***10. How can Section 37 and parkland dedication processes be made more transparent and accountable? AND 11. How can these tools be used to support the goal and objectives of the Provincial Policy Statement and the Growth Plan for the Greater Golden Horseshoe?***

The consultation document notes that “Density bonusing has sometimes been characterized as being ad hoc or unstructured” and that, “Overall concerns have been raised that there is a need for more accountability and transparency with section 37 (density bonusing) and parkland dedication.”

Transparency and accountability (as well as policy effectiveness) can be strengthened by requiring that municipalities have a strong policy framework in place for the use of density bonusing under section 37. At present, the process is at times overly politically contingent. Looking at the array of outcomes from density bonusing processes within a municipality, it can be hard to discern what that municipality’s overall objectives are for use of this policy tool.

Municipalities should have statements of what they are attempting to achieve through density bonusing. These statements should be coordinated with local planning documents, the PPS, and provincial plans, and, and in the case of service manager municipalities, with provincially mandated Local Housing and Homelessness Plans. Though it is a modest tool, it makes sense that density bonusing for housing development should feed into efforts to achieve local and provincial goals for affordable housing provision.

The Province can require that plans be in place for the use of section 37 and communicate that municipalities are expected to use this tool, in part, to achieve their affordable housing objectives. To support this action, rules around where accrued benefits can be dispersed should be structured to allow section 37 benefits to flow into municipalities’ overall implementation of policies to support housing affordability. Aligning section 37 benefits with municipal affordable



housing targets, articulated in Local Housing and Homelessness Plans, will at times require greater internal coordination between municipal planning and housing departments.

***15. How can the impacts of development charges on housing affordability be mitigated in the future?***

Development charges can be discussed in relation to housing affordability from two perspectives: (1) how development charges impact the affordability of new housing on which charges are levied and (2) how development charges can be utilized to raise funds designated for the provision of affordable housing.

The use of the word “mitigated” suggests that question 15 stems from the first perspective. The consultation document states that, “Many stakeholder view the use of development charges as either a help or hindrance to economic growth in communities. Most of the discussion has focused on housing affordability and the development of transit” and that, “Since the Development Charges Act, 1997 was passed, development charges have risen steadily, leading some people to suggest development charges are having a direct impact on rising housing prices.”

As the consultation document reports, construction costs and other market factors are far stronger upward pressures on the cost of new housing than development charges, which simply have not increased to nearly the same degree. ONPHA concurs with this MMAH assessment.

When development charges increase with little notice, increased costs - for developments already in process - are born largely by end users: home purchasers and tenants of new rental housing. When developers are told longer in advance that development charges will increase, they have more opportunities to mitigate the impact on their profit margins earlier in the development process, before turning to price increases for end-users. For example, they can attempt to extract better pricing on land and up-front services. Longer periods of notice and more certainty around increases mitigate the affordability impact on end users.

But still, it must be remembered that development charges do not substantially affect affordability – especially when we consider that increased costs are spread over the life of multi-decade mortgages.

The Consultation Document notes that, “There is significant interest in using development charges more strategically by discounting development charges where growth and development is preferred, while setting maximum payable charges in areas outside of existing service areas (e.g. greenfields).”



Such strategic use of development charge variation should be applied not just to location of development, but also the character of development. The best way to ensure that development charges do not negatively impact housing affordability is to waive development charges for housing developments that meet affordability targets. This is an existing practice in some municipalities. Municipalities have stated goals for local housing affordability through both their Official Plans and Local Housing and Homelessness Plans. The Province can support them to reach their goals in part by encouraging the waiving of development charges for projects that meet affordability targets.

In some cases, there is a need for greater coordination between upper and lower tier municipalities. Upper tier municipalities (service manager municipalities) may supply grants for affordable housing development and choose to waive development charges for these developments. However, their lower tier colleagues may not follow suit.

As noted in our response to question five, there is a need for focus on the second aspect of how development charges can affect housing affordability – in actually using them to raise funds for affordable housing development. In ONPHA’s view, this avenue should be explored to a far greater extent in addition to waiving development charges on all housing projects that meet affordability targets. This will act as one incentive to affordable housing development that could be packaged with others.

***16. How can development charges better support economic growth and job creation in Ontario?***

Development charges can best support economic growth and job creation in Ontario by being used to raise funds for the construction and repair of necessary public infrastructure, including transit and affordable housing. ONPHA agrees with the assessment in the consultation document that, “A healthier housing sector can have positive economic and employment impacts in many other sectors.”

While serving vital community needs, the development of affordable housing has very substantial economic multiplier effects. According to housing market analyst Will Dunning, “Among all of the physical products that we buy there are very few that have as much ‘domestic content’: measured on the basis of jobs created per dollar spent, housing construction is a very powerful generator of jobs in Canada, and these are jobs that pay well.”<sup>2</sup> Affordable

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<sup>2</sup> Will Dunning, 2013. “Sustainable Growth in the Condominium Sector Supported by Market Trends and Demographics: An Analysis of the Toronto, Montreal and Vancouver Condominium Markets. (Royal LePage: Toronto)



housing has the added benefit of freeing households to better save or spend larger shares of their income in other economic spheres.

### **Conclusion**

ONPHA thanks MMAH for the opportunity to provide input to this review of the development charges system. Our overarching recommendation is for the Province to use all tools at its disposal to create a development charges system that supports the development of affordable housing:

- Development charges should be waived as much as possible on affordable housing developments.
- The Province should help municipalities leverage funds for affordable housing development through development charges.
- Municipalities should have plans for how they intend to use density bonusing that align with provincially mandated plans, including Local Housing and Homelessness Plans.

We would be pleased to further discuss our input with Ministry staff.