



REPORT FOR ACTION

More Homes, More Choice Act - Budgetary Considerations

Date: July 8, 2019

To: City Council

From: Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report identifies the budgetary considerations related to the implementation of Bill 108, the More Homes, More Choice Act, 2019 and the measures staff are taking, both to work with the government to ensure appropriate regulations are adopted, and to communicate to program areas reasonable assumptions for 2020 budget purposes.

RECOMMENDATIONS

The Chief Financial Officer and Treasurer recommends that:

1. City Council receive this report for information.

FINANCIAL IMPACT

The 2020 Operating Budget, and Capital Budget and Plan, will be based on updated revenue and expenditure assumptions in part due to the transition to and implementation of new rules for growth related capital cost recovery detailed in the More Homes, More Choice Act and its pending regulations, as these implications become better understood. Operating budget adjustments may be needed to reflect new processes such as changes to planning review timelines, DC collection, land valuation processes and development of the City's Community Benefits Charge program.

Staff continue to assess the implications of the changes as more information becomes available.

DECISION HISTORY

On May 14, 2019, Council adopted CC7.3 Proposed Bill 108 (More Homes, More Choice Act, 2019) and the Proposed Housing Supply Action Plan - Preliminary City Comments. The Government of Ontario had introduced Bill 108 for first reading May 2, 2019.

Council adopted 55 resolutions in regard to the Bill, including Recommendation 9, in which Council directed:

"...the City Manager to report to the July 4 2019 meeting of the Executive Committee with respect to potential impacts on capital plans and projects as a result of the Ontario Government's proposed changes announce as part of their Ontario Housing Supply Action Plan."

This report can be viewed at:

<http://app.toronto.ca/tmmis/viewAgendaItemHistory.do?item=2019.CC7.3>

COMMENTS

At its meeting on May 14, 2019, City Council adopted CC7.3, a report describing the changes in Bill 108. Subsequently the following key events have occurred:

May 27

The City held public consultations into Bill 108 at City Hall and NYCC.

May 29, 31 and June 3

The Government of Ontario held Standing Committee review of Bill 108, modifying the Bill primarily by including ambulance services in the Development Charges Act (DCA) 'hard services' list and thereby eliminating the 10% statutory reduction in Development Charge (DC) rates that previously applied.

June 6

The Bill received Royal Assent, but has not been proclaimed into force.

June 7

The Minister of Municipal Affairs and Housing sent a letter to heads of municipal Councils emphasizing the Province's goal that "municipalities would recover similar revenue from community benefits charges to what they have collected from development charges for discounted services, density bonusing and parkland dedication".

June 21

The Ministry posted two proposals on the Regulatory Registry for public comment, and is receiving submissions until August 6, 2019 for the Planning Act proposal, and until August 21, 2019 for the Development Charges Act proposal. An inter-divisional team has been established to review the draft regulations and to prepare a submission on the regulations.

Fall 2019

Further regulatory proposals are expected to identify the basis for establishing limits on the maximum percentage of land costs allowed for the Community Benefits Charge.

Throughout, City staff have been in consultation with Provincial staff on the proposed regulatory framework, and will continue to engage with them regarding development of the regulations.

Budget Considerations

Growth related revenues are crucial to the City's capital program and to maintaining related service quality. The Minister of Municipal Affairs and Housing has pledged to municipalities that the Government's intent is to maintain municipal revenues as they were. With this in mind, and notwithstanding the absence of final regulations related to Bill 108 or certainty regarding when the Act will be proclaimed into force, the City has begun to develop plans for 1) capital budget changes and 2) the proposed deadline of January 1, 2021 for implementation of the new Community Benefits Charge system.

Budgetary assumptions may evolve as more details are known about the pending regulations. Some of the areas in which the pending regulations could impact revenue assumptions include: 1) how the new rules are expected to impact the timing of building permit applications, 2) the mechanisms included in the regulations to preserve municipal revenue capacity (including actual, in-kind, and future potential revenues, and residual development charges capacity), and 3) the details about how the new mechanism for determining development charges obligations will work.

Staff are participating in the Provincial consultation process through dialogue, meetings and planned submissions to the Provincial comment registry. Regulatory proposals have been issued for comment that would set parameters for such critical development charge matters as the expiry of DC rates frozen at planning applications, the collection of deferred DC payments, the definition of unit types newly exempted from DCs, and the deadline for transition to the new Community Benefits Charge (January 1 2021). Similarly, regulatory proposals pertaining to vital Planning Act matters have been issued. Staff are working to identify issues and potential options to help make the new regulations work effectively. The window for submissions on the proposed regulations is open until August 6, 2019 for the Planning Act and August 26, 2019 for the Development Charges Act.

Regardless of these efforts, potential budgetary impacts will not be fully understood until the final regulations are known and evaluated. Accordingly, staff are developing capital budget guidance that will ensure that future growth related revenue forecasts and cash flows reasonably reflect the current uncertainty and that any impacts are documented to the extent possible. Operating budget requirements, particularly those related to the administration of the new CBC and the phase out of s. 37 and 42 arrangements are also being developed. 2020 City Budget instructions will be informed by staff's continued discussion with the Province and analysis of the final regulations.

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SIGNATURE

Heather Taylor
Chief Financial Officer and Treasurer

ATTACHMENTS

- Attachment 1 - Letter from the Minister of Municipal Affairs and Housing dated June 7, 2019