

Supplementary Information: Impacts of Bill 23

Date: October 10, 2023

To: City Council

From: Interim Chief Financial Officer and Treasurer

Wards: All

SUMMARY

This report, in response to the request from Executive Committee, provides Council with an assessment of the estimated revenue loss associated with Bill 23 and the potential impacts to costs and revenues associated with meeting the provincial housing target.

The revenue loss resulting from Bill 23 changes to municipal growth funding tools is estimated to be \$2.3 billion over 10-years. The most significant impact is the removal of housing service as an eligible development charge service. The figures are based on available information from the 2022 development charges background study, which included a development forecast of 136,000 housing units over 10-years.

Meeting the provincial housing target of 285,000 housing units over the same 10-year period is likely to have a larger impact. This represents an increase of about 150,000 units or 110%. While the new units will generate additional development revenues, it will entail increased costs to invest in required infrastructure and provide services associated with new growth. Historically, growth funding tools have not fully recovered growth-related costs. A comprehensive assessment of the costs and revenues related to meeting the provincial target would necessitate Divisions and Agencies to significantly recast their capital programs. In addition, there would need to be updates to growth funding tools studies and strategies, and the related bylaw rates.

FINANCIAL IMPACT

Bill 23 is currently estimated to result in a \$2.3 billion revenue loss to the City's growth funding tools over a 10-year period, including development charges, community benefit charges and parkland dedication. The complete financial impact to the City remains uncertain. While the Province has committed to making the City whole, this is pending the completion of a provincial audit, which is currently underway.

DECISION HISTORY

At its meeting on November 23, 2023, City Council adopted CC1.2 Update on Bill 23, More Homes Built Faster Act, 2022, which provided City comments on Bill 23.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.CC1.2>

At its meeting on October 3, 2023, during consideration of EX8.4 "Deferred Revenue Report at June 30, 2023", Executive Committee direct the Interim Chief Financial Officer and Treasurer to report to City Council detailing the 10-year revenue loss from Bill 23 and the associated high-level cost and revenue impact should the City meet its Provincially-set 2031 Municipal Housing Target.

<https://secure.toronto.ca/council/agenda-item.do?item=2023.EX8.4>

COMMENTS

Bill 23, enacted by the Province on November 28, 2022, introduced various changes to municipal growth funding tools: development charges, community benefit charges and parkland dedication, which are expected to result in significant financial impacts for the City of Toronto. These changes included:

- Removed housing services as an eligible service, meaning DCs are no longer being collected to fund housing projects.
- Required a mandatory 5-year phase-in of development charge rate changes, which means full DC rates will not come into effect until 2027.
- Discounted rates for purpose built rental units based on the number of bedrooms
- Added new exemptions, including exemptions for affordable, attainable, non-profit and additional residential units.
- Introduced caps to development charges interest rates.
- Extended the historic service level caps from 10 to 15 years.
- Removed land acquisition for some services.
- Reduced caps to parkland dedication bylaws; and
- Requiring acceptance of encumbered lands and privately-owned publicly accessible spaces as parkland dedication.

In addition, on September 28, 2023, the Province introduced Bill 134 - *Affordable Homes and Good Jobs Act* which proposes amendments to the *Development Charges Act*. The changes introduce an income threshold to be added to the definition of affordable housing that would be exempted from municipal growth funding tools. The update to the definition, as currently proposed, is not expected to significantly change the revenue impacts resulting from Bill 23 discussed in this report, however staff are still completing required review and analysis.

Bill 23 revenue losses estimated to be \$2.3 billion over 10 years

Bill 23 is estimated to result in a revenue loss of \$2.3 billion over 10 years. The largest impact is to housing services, which has been removed as an eligible development charges service. A summary is provided in the table below.

Table 1: Summary of Estimated 10-year Bill 23 Impacts

Bill 23 Impacts (\$ Millions)	2023 - 2032 Revenue Forecast			
	Original (Pre-Bill 23)	Revised (Post-Bill 23)	10-Year Impacts	
			\$	%
Development Charges Impact				
Removal of DC Eligible Services				
Housing Services - Affordable Housing	1,184.7	0.0	(1,184.7)	-100%
Housing Services - Shelter	85.0	0.0	(85.0)	-100%
Development-Related Studies	11.2	2.0	(9.2)	-82%
Total Removal of DC Eligible Services	1,280.9	2.0	(1,278.9)	-100%
Reduction in DC Funding				
Transit	2,721.6	2,433.1	(288.5)	-11%
Spadina Subway Extension	224.8	200.9	(23.9)	-11%
Roads and Related	1,500.9	1,342.7	(158.2)	-11%
Toronto Water				
Water	240.3	214.6	(25.7)	-11%
Sanitary Sewer	580.6	518.5	(62.1)	-11%
Stormwater Management	271.5	242.9	(28.6)	-11%
Subtotal Toronto Water	1,092.4	976.0	(116.5)	-11%
Parks and Recreation	958.4	856.4	(101.9)	-11%
Library	133.5	119.2	(14.3)	-11%
Long-Term Care	107.7	96.6	(11.1)	-10%
Child Care	63.8	57.0	(6.8)	-11%
Ambulance Services	54.8	49.0	(5.8)	-11%
Waste Diversion	43.3	38.8	(4.5)	-10%
Police	42.7	38.2	(4.6)	-11%
Fire	15.8	14.1	(1.7)	-11%
Total Reductions in DC Funding	6,959.7	6,221.9	(737.8)	-11%
Total DC Impact	8,240.6	6,223.9	(2,016.7)	-24%
B. Parkland Dedication Impact				
Capping the alternative parkland dedication rate			(150.0)	
Other – new exemptions, rate freeze at site plan and rezoning, requiring encumbered parkland			(150.0-200.0)	
Total Parkland Dedication Impact			(300.0+)	
C. Community Benefit Charges				
			Unknown	
Total Estimated 10-Year Impacts of Bill 23			(\$2,300.0+)	

The above is based on the City's 2022 Development Charge Background Study development forecast of 136,000 units over the 10-year period 2022-2031.

The provincial housing target of 285,000 units, assuming the same planning period 2022-2031, represents an increase of about 110% or about 150,000 units. The background study completed in 2022 did not incorporate the added infrastructure costs

associated with this substantial increase in units. Meeting the provincial housing target is likely to result in a larger impact. While the new units will generate additional development revenues, it will also result in increased costs to invest in required infrastructure and provide services associated with new growth. Historically, growth funding tools do not fully recover the cost of growth due to statutory exemptions, caps and discounts, as well as Council policy reductions. In order to estimate the costs and revenues to the City to meet the provincial target, impacted City Divisions and Agencies would need to recast their growth-related capital needs based on these increased targets and reflect that in future development charges background studies and capital plans.

Actual impacts may differ from current estimates depending on the amount, type, location and timing of development that occurs in the City, as well as additional information on Bill 23 that is pending the release of provincial regulations and bulletins. Staff will continue to monitor the legislative changes and revisit the estimated impacts as more information becomes available.

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SIGNATURE

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