



# COUNTY OF WELLINGTON

## COMMITTEE REPORT

**To:** Chair and Members of the Administration, Finance and Human Resources Committee  
**From:** Ken DeHart, County Treasurer  
**Date:** Tuesday, November 29, 2022  
**Subject:** **Bill 23, More Homes Built Faster Act, 2022 – Changes to the Development Charges Act**

### Background:

On October 25, 2022, Ontario's Minister of Municipal Affairs introduced Bill 23, More Homes Built Faster Act, 2022 for first reading. As of October 27, 2022, the bill was brought forward for a second reading.

Bill 23 is intended to support Ontario's Housing Supply Action Plan, with a stated aim of increasing housing supply in the Province. The bill proposes to introduce various amendments to multiple statutes including the Development Charges Act and Planning Act.

Bill 23 will be subject to committee review and further readings by the legislature and may be amended through that process. However, many of these proposed legislative changes are highly consequential, and are of great interest to the development community, municipalities, and landowners.

As the Planning department has brought forward a report describing important Planning related legislative changes introduced through Bill 23, this report will focus on changes to the Development Charges (DC) Act that are of interest to Wellington County and therefore exclude parkland dedication and community benefit impacts which are dealt with at the member municipality level.

Bill 23 Proposed Changes	Details	Estimated Impact
Set a maximum interest rate for DC freeze and deferral (prime +1%)	To provide consistency among municipalities, a maximum interest rate has been set at Bank of Canada prime rate + 1% per annum (currently this would be 6.95%) as of June 1, 2022. This rate applies during the period that development charges are frozen and/or deferred from the date the application is received to the date the development charge is payable.	In November of 2020, County Council approved the Development Charge Interest Policy which identified the applicable interest rate to be charged as the average annual historical five-year Statistics Canada Non-Residential Building Construction Price Index for Toronto year-over-year change as of September 30 <sup>th</sup> . Currently the rate for 2022 is 5.08% which is below the prescribed maximum so no impact would be expected, however the Interest Policy will need to be updated to include the maximum arising from Bill 23.
For all DC by-laws passed after June 1, 2022, the charge must be phased-in annually over the next five years as a reduction of the maximum charge.	The reduction is as follows: Year 1 – 20% reduction Year 2 – 15% reduction Year 3 – 10% reduction Year 4 – 5% reduction	As Wellington County's latest DC by-law was passed May 26, 2022, the County will not be required to adopt this change until our next DC By-law in 2027. Estimated impacts of this phase-in over the 10-year period 2027 to 2036 would be a reduction in development charges revenues of approximately \$3 million.

Bill 23 Proposed Changes	Details	Estimated Impact
DC By-law Expiry	Requirement for the DC by-law to be updated every 5 years has been extended to 10 years.	The County could update its DC by-law to update cost estimates that have risen higher than indexing recently but that would mean it would then have to adopt the phase-in reduction mentioned above.
Elimination of Housing as an eligible Services	Remove housing services from the list of eligible services so that development charges could no longer be collected for housing services, effective immediately upon Royal Assent of Bill 23.	The County's current DC by-law does not include Housing as an eligible service so there would be no immediate impacts.
Limit eligible capital costs to ensure greater cost certainty	<p>Studies, including the preparation of the DC Background study, would no longer be an eligible capital cost that could be recovered through development charges.</p> <p>A regulation-making authority would be provided to prescribe specific services for which the cost of land would not be an eligible capital cost that could be recovered through development charges.</p>	As these proposed changes would apply on a go-forward basis to the passage of new Development Charge by-laws, Wellington County would not see an impact until 2027. Removing chargeable items will reduce DC collection ability and the ability to fund capital works. Without alternate sources of funding, these costs would fall to the existing taxpayers and potentially delay delivery of infrastructure. The removal of studies including the Development Charge Background Study and Official Plan Reviews and Updates would be approximately \$2 million over the 2027 – 2036 period.
Historical service levels	The increase in need for service limit will be extended from a 10-year period to a 15-year period preceding the preparation of the DC Background Study.	To be determined.
Annual requirement to allocate funds received	Beginning in 2023, municipalities will be required to spend or allocate at least 60% of the monies in a reserve fund at the beginning of the year for services related to a highway.	To be determined but further clarification is required to define "spend" versus "allocate." Will require additional administration.
Rental Housing Discount	<p>The DC payable for rental housing development will be reduced based on the number of bedrooms in each unit as follows:</p> <ul style="list-style-type: none"> <li>• 15% discount for a 1-bedroom unit (or smaller)</li> <li>• 20% discount for a 2-bedroom unit</li> </ul>	Further discounts to DCs will place an additional financial burden on the County to fund these reductions. Some agreement should be in place to ensure units remain as rentals for a period of time.

Bill 23 Proposed Changes	Details	Estimated Impact
	<ul style="list-style-type: none"> <li>25% discount for a 3+ bedroom unit</li> </ul>	
New Exemptions – Affordable Housing	<p>Affordable housing units in a development subject to inclusionary zoning, as well as non-profit housing developments would be exempt from development charges. Criteria to determine the eligibility of a unit for development charges exemptions is provided by the Ministry of Municipal Affairs and Housing.</p> <p>This would mean non-profit housing development is removed from the installment payment section of the Act (section 26.1), as these units are now exempt from payment of development charges.</p>	Further DC exemptions will place additional financial burden on the County. The County will have to enter into agreements to ensure these units remain affordable over a period which will increase the administrative burden.
New Exemptions – Attainable Housing	<p>A residential unit, in a development designated through regulation, would be exempt from development charges. The Lieutenant Governor in Council would be provided with regulation-making authority to prescribe any applicable additional criteria that a residential unit would need to meet to be exempt from municipal development-related charges.</p>	Further DC exemptions will place additional financial burden on the County. The definition of “attainable” is unclear and needs to be defined by regulations. The County will have to enter into agreements to ensure these units remain affordable over a period of time which will increase the administrative burden.
New Exemptions – Additional Residential Unit	<p><b>Exemption for residential units in existing rental residential buildings-</b> for rental residential buildings with four or more residential units, the greater of one unit or 1% of existing residential units will be exempt from DC’s.</p> <p><b>Exemption for additional residential units in existing and new residential buildings-</b>the following development will be exempt from a DC:</p> <ul style="list-style-type: none"> <li>A second unit in a detached, semi-detached, or rowhouse if all buildings and ancillary structures cumulatively</li> </ul>	

Bill 23 Proposed Changes	Details	Estimated Impact
	<p>contain no more than one residential unit</p> <ul style="list-style-type: none"> <li>• A third unit in a detached, semi-detached, or rowhouse if no buildings or ancillary structures contain any residential units</li> </ul> <p>One residential unit in a building or structure ancillary to a detached, semi-detached, or rowhouse on a parcel of urban land, if the detached, semi-detached, or rowhouse contains no more than two residential units and no other buildings or ancillary structures contain and residential units.</p>	

These proposed changes are designed to encourage increased housing supply and affordability by providing greater cost certainty, reducing development charges, and slowing their growth over time, and helping to provide cost savings for home builders, home buyers and renters. However, these proposals will also have an impact on municipal revenues with associated administrative costs for compliance.

**Attachment 1:**

Correspondence from Watson & Associates Re: Assessment of Bill 23 (More Homes Built Faster Act) – Development Charges

**Recommendation:**

That the report Bill 23, More Homes Built Faster Act, 2022 – Changes to the Development Charges Act be received for information.

Respectfully submitted,



Ken DeHart, CPA, CGA  
County Treasurer