Affordable housing measures could impact local budget

Financial breaks to incentivise builders in the construction of affordable homes and purpose-built rental units could have a negative impact on municipal budgets and local taxes.

This was a worry expressed by Aurora Councillors last week when discussing the future of development charges.

Development Charges (DCs) are fees incoming builders pay to municipalities to account for population growth due to development. Such DCs can be used by towns and cities in a number of ways, including the expansion and enhancements of municipal infrastructure and amenities to serve a growing number of residents.

There have been many questions related to DCs since the Province of Ontario introduced the More Homes Built Faster Act in 2022, particularly how DC exemptions to encourage housing might impact the Town's bottom line. This Act was just the latest in a series of DC changes spearheaded by the Province and, in a report before Council last week, Financial Analyst Jason Gaertner told Councillors that these changes have ?already had a significant financial impact on the Town.?

?A detailed analysis of the financial impacts from the many legislative changes made to the DCA (Development Charges Act) considers the Town's projected growth for the next 10 years,? he said. ?This financial analysis revealed that the degree of DC loss will mostly be driven by the volume of affordable, additional residential, and purpose-built rental residential units constructed over the review period.?

The report considered two different scenarios to determine the financial impact to the municipality. The first assumes that residential growth over the next 10 years will see 20 per cent designated as purpose-built rentals and 25 per cent will be either affordable or additional residential units. The second scenario assumes 20 per cent will be purpose-built rentals and 10 per cent either affordable or additional residential units.

?A total ten-year revenue loss of $11.9 million is anticipated from all changes, excluding those related to affordable housing,? said Gaertner. ?This loss increases to $13.3 million with indexation. Affordable housing losses are anticipated to be $21.5 and $4.5 million under scenario one and two respectively, prior to indexation. With indexation, those losses grow to $23.7 and $5 million, respectively. When indexation is considered, the total estimated revenue losses would be $37.0 and $18.3 million for scenario one and two respectively.?

Considering the figures at the Committee level last week, Ward 3 Councillor Wendy Gaertner said it was ?concerning? and she doubted ?developers are going to be interested in purpose-built rental.?

Ward 1 Councillor Ron Weese said the report was ?helpful and discouraging? at the same time, suggesting it will cause the Town to re-think the projects and initiatives that have been earmarked by the Town as part of its 10-year Capital Plan.

?It does add significant impacts on our budgeting process that we're now being asked to think about,? he said, adding the figures were based on the projection of 5,800 units over 10-years rather than the 8,000 units now targeted as part of the Town's recent Housing Pledge.

Town Treasurer Rachel Wainwright van Kessel said this data will be factored into the annual Budget process, which will include a forecast of ?how much we can afford to put into growth projects? over the next decade.

?The DC study takes? the growth information for our planning information, but it doesn't necessarily always reflect what's actually happening,? she said. ?Some years it can be much higher, some years it can be much lower and we have to adjust for that overall. We'll also consider if there are areas where we are losing DCs, some municipalities are creating alternative reserves to fund this growth or they are using existing reserves. We're going to have to keep an eye on this with how much we're losing with respect to

these additional units or potential affordable units and how we're going to fund those.?

Also expressing concern was Ward 5 Councillor John Gallo who said ?alarm bells were ringing? for Council following the report.

?While it is clear that the dust hasn't really settled? I don't want to either wait for the Province to make us whole or anything else that we can affect. I hope we're taking a much more proactive approach and even coming to Council with a variety of different options to be able to tell how to address this in a very short amount of time. I believe it is essential that we get ahead of this and figure out ways of mitigating this and all options should be on the floor for us to elaborate, to discuss, to figure out which direction we're going to go.?

Added Ward 2 Councillor Rachel Gilliland, joining her fellow Council members in calling for a further report as soon as possible: ?We might want to look at more density in certain areas just to offset some of that cost and the incentive for developers to come in and build.?

?Obviously we're going to get this report in June, DCs are going to affect the decision-making,? she continued. ?Should we be looking at more heights in different areas to offset some of these costs? These are answers we just don't have.?

Mayor Tom Mrakas agreed the phase in of the new DC changes have been ?problematic? for municipalities.

?Staff have been working on this and I am glad that the Province has listened to a lot of the concerns that we've had and they've walked back a lot of the bigger issues that would have seen some major exemptions and reductions in our DCs,? he said. ?We're almost back to where we were to begin with, there are still some slight changes that are going to be impacting us. I know that staff are on top of this, we're working on this, and I am looking forward to seeing the report that comes because I know we're doing everything we can [to] provide all the services and everything our community needs to be fiscally responsible at the same time with what the Province lays out in legislation.?

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