

June 5, 2025

Attn: Ministry of Municipal Affairs and Housing

Re: Changes to the Development Charges Act, 1997 to Simplify and Standardize the Development Charge (DC) Framework

Proposal Number: 25-MMAH003

The City of Kitchener is committed to fostering an affordable, livable, and welcoming community. Recognizing the ongoing housing crisis, Kitchener remains dedicated to working with the Province of Ontario to develop effective solutions. The city is focused on expediting the construction of new homes and infrastructure to address this issue. Kitchener continues to be a provincial leader in streamlining development processes, consistently meeting all legislated planning timelines since 2023.

Kitchener appreciates the opportunity to offer feedback as the province begins implementing the proposed provisions of Bill 17. It is crucial for municipalities, who are directly impacted, to be continuously consulted during this process. Similarly, we look forward to providing further feedback as the province develops development charges (DC) regulations pertaining to prescribing benefit to existing rates, defining local services, and reviewing capital cost inclusions.

In the context of this consultation, the city would like to highlight three primary concerns regarding the deferral of residential DC payments to the occupancy stage. These concerns pertain to cash flow implications, increased administrative burden, and legal and enforcement clarity.

Cash Flow Implications

In light of Bill 17, Kitchener anticipates collecting minimal DC revenues for one to two years as developments progress towards occupancy. This could result in a reduction of \$50-60 million in revenue over the first two years.

During this waiting period, Kitchener relies on its annual reserves to fund housing-enabling infrastructure. Presently, Kitchener's DC reserve funds have an overall negative balance. Prior to Bill 17, the city's negative DC reserve funds were expected to return to a positive position within the 10-year capital forecast period. However, with the enactment of this bill, the DC reserve funds are now projected to remain negative beyond the 10-year forecast even with an anticipated \$194 million in DC-supported debt forecasted from 2024 to 2028.

This scenario will have negative impacts on the city, requiring reprioritization and delay of key capital infrastructure projects. It may also result in the accrual of additional debt.

Furthermore, there could be an increase in development charges to mitigate the impact, and potentially, a shift in growth costs to existing taxpayers and ratepayers to maintain balanced finances.

Kitchener has experienced a rise in rental housing construction in recent years. Following changes implemented by Bill 23, some developers of rental units have elected to pay early while others use the rental deferral program currently in place under the DCA. Making these deferrals interest-free may lead to a greater number of developers opting to defer payment, further exacerbating the city's cash flow impact.

The loss of interest income from the current deferral program has an annual revenue impact of \$650,000.

Administrative Impact

The deferral of residential DC payments from building permit issuance to occupancy will require significant enhancements to administrative procedures, systems, and staffing. Municipalities will need to develop robust systems and processes capable of monitoring the status of deferred payments and generating alerts for unpaid DCs ahead of occupancy approval.

Furthermore, additional personnel may be required to manage these processes effectively, conduct reviews, and enforce compliance. This administrative expansion may lead to increased operational costs, further straining municipal budgets already impacted by reduced DC cash flow.

Legal and Enforcement Clarity

Prior to the enforcement of this provision, a mechanism is needed to deny occupancy until DC payment is received is vital. Without clear regulations to ensure payment of DCs, municipalities are left in a precarious position. Establishing well-defined legal and enforcement mechanisms is essential to uphold accountability and ensure that DC payments are collected at the appropriate stage.

These regulations should outline the legal framework within which municipalities can operate, providing clarity on their rights and responsibilities when DC payments are deferred. This may include implementing a formal procedure for notifying developers of outstanding DC obligations prior to occupancy approval, as well as creating penalties or interest charges for late payments to discourage deferrals without valid cause. Additionally, the ability to hold securities through the deferral period on any development types – not limited to those where occupancy permits do not apply – would help ensure that future

homeowners are not left paying through their property tax roll for DCs that a developer failed to remit.

It is important to recognize that a mechanism granting legal authority via the Building Code for municipalities to condition the issuance of occupancy permits on the payment of development charges could place undue pressure on municipal building officials and may not be an effective solution.

The introduction of such mechanisms would safeguard municipal budgets against the financial instability caused by DC collection challenges, ensuring that infrastructure projects vital to housing development are not further jeopardized or delayed. Addressing this gap in enforcement clarity is a pivotal step toward achieving a balanced and equitable implementation of Bill 17.

Final Remarks

The City of Kitchener recognizes the immense importance of provincial partnership in addressing the housing crisis. While the city remains committed to accelerating development approval processes to get housing built faster, Kitchener urges the province to consider the financial and administrative impacts that Bill 17 poses related to delaying DCs from building permit to occupancy.

As a partner in progress, Kitchener reiterates its dedication to being a steadfast ally in fostering affordable and livable communities. However, it stresses that this partnership must be supported by thoughtful measures that accelerate the delivery of housing and infrastructure projects, while also safeguarding municipal budgets from undue strain.