



The Regional Municipality of Durham

Finance and Administration Committee Agenda

Tuesday, November 14, 2023, 9:30 a.m.

Regional Council Chambers

Regional Headquarters Building

605 Rossland Road East, Whitby

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2054.

Note: This meeting will be held in a hybrid meeting format with electronic and in-person participation. Committee meetings may be [viewed via live streaming](#).

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re: Guideline Report Referral

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9. Advisory Committee Resolutions

There are no advisory committee resolutions to be considered

10. Confidential Matters

10.1 Presentations

- a. Confidential Presentation from Shaun Collier, Board Chair, DRPS and Peter Moreira, Chief of Police, DRPS,
re: Proposed or Pending Acquisition or Disposition of Land for Durham Regional Police Services Purposes as it relates to Property in the Town of Ajax (2023-F-31)

10.2 Reports

- a. Report #2023-F-31
Confidential Report of the Commissioner of Finance –
Proposed or Pending Acquisition or Disposition of Land for Durham Regional Police Services Purposes as it relates to Property in the Town of Ajax

Under Separate Cover

11. Other Business

12. Date of Next Meeting

Tuesday, December 12, 2023 at 9:30 AM

13. Adjournment

Notice regarding collection, use and disclosure of personal information:

Written information (either paper or electronic) that you send to Durham Regional Council or Committees, including home address, phone numbers and email addresses, will become part of the public record. This also includes oral submissions at meetings. If you have any questions about the collection of information, please contact the Regional Clerk/Director of Legislative Services.

The Regional Municipality of Durham

MINUTES

FINANCE & ADMINISTRATION COMMITTEE

Tuesday, October 10, 2023

A regular meeting of the Finance & Administration Committee was held on Tuesday, October 10, 2023 in the Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby, Ontario at 9:30 AM. Electronic participation was offered for this meeting.

1. Roll Call

Present: Councillor Ashe, Chair
Councillor Leahy*, Vice-Chair left the meeting at 10:57 AM
Councillor Garrod
Councillor Lee
Councillor McDougall
Councillor Woo
Regional Chair Henry
***denotes Councillors participating electronically**

Also

Present: Councillor Crawford

Absent: Councillor Schummer, was absent on municipal business

Staff

Present: E. Baxter-Trahair, Chief Administrative Officer
B. Bridgeman*, Commissioner of Planning & Economic Development
C. Chai, Director – Financial Solutions, Utility Finance and Investment Portfolio
A. Chung, Systems Support Specialist, Corporate Services – IT
S. Ciani, Committee Clerk, Corporate Services – Legislative Services
M. D’Souza, Manager, Compensation & Benefits
L. Fleury, Legislative Officer and Deputy Clerk Pro Tem, Corporate Services – Legislative Services
B. Goodwin, Commissioner of Corporate Services
N. Harkness, Supervisor, Asset Management Systems
A. Hector-Alexander*, Director, Diversity, Equity, and Inclusion
W. Holmes, General Manager, DRT
K. Hornburg, Deputy General Manager, Business Services, DRT
L. O’ Dell, Director, Human Resources
N. Pincombe, Director, Business Planning & Budgets
D. Ramkissoon, Manager - Investment Portfolio
N. Taylor, Commissioner of Finance
A. Wakeford, Senior Solicitor, Regional Solicitor’s Office
***denotes staff participating electronically**

2. Declarations of Pecuniary Interest

There were no declarations of pecuniary interest made.

3. Adoption of Minutes

Moved by Councillor Lee, Seconded by Councillor Woo,
(71) That the minutes of the regular Finance & Administration Committee meeting held on Tuesday, September 12, 2023, be adopted.

CARRIED

4. Statutory Public Meetings

There were no statutory public meetings.

5. Presentations

5.1 Duane Ramkissoon, Manager, Investment Portfolio, re: Prudent Investor: Options Analysis and Next Steps for Adoption (2023-F-23) [Item 8.2 a)]

D. Ramkissoon, Manager, Investment Portfolio, provided a PowerPoint presentation on the Prudent Investor: Options Analysis and Next Steps for Adoption.

Highlights from the presentation included:

- Regulatory Framework
- Prudent Investor (PI) vs Legal List
- Governance Options
- Short and Long-term Funds
- Benefits of Adopting PI
- Key Considerations of PI
- Collaboration with Local Municipalities
- Next Steps
- Conclusion

5.2 Jennifer Hess, Manager, Investment Services, ONE Investment and Keith Taylor, Chief Investment Officer, ONE Investment, re: Prudent Investor: Options Analysis and Next Steps for Adoption (2023-F-23) [Item 8.2 a)]

J. Hess, Manager, Investment Services and K. Taylor, Chief Investment Officer, ONE Investment, provided a PowerPoint presentation on the Prudent Investor: Options Analysis and Next Steps for Adoption.

Highlights from the presentation included:

- What is ONE Investment
- ONE Joint Investment Board (JIB) – Governance
- Municipal Oversight

- Participating Municipalities
- Ontario's Only Joint Investment Board
- Selection of Investment Managers
- Roles under Prudent Investor Program
- Investment Outcomes Approach

J. Hess, K. Taylor and N. Taylor responded to questions with respect to who is on the JIB; how much money is currently under management with the JIB; what are the fees for Durham to join ONE Investment; what are the year-over-year returns; how did ONE investment perform against other JIBs; if the Region changes its mind are the funds locked up with ONE Investment; is there some say in what types of investments the Region wishes to make, for example can it be assured that only ethical investments are made; how much does ONE Investment manage under the Prudent Investor portfolio and through the Legal List portfolio; will the Region's current investments in the Canadian equity market through ONE Investments be maintained or fall under the prudent investor policy; who approves investment plans; the use of the Municipality of Clarington as a case study; what are the thresholds/parameters for Money Not Required Immediately (MNRI); and recovering the costs associated with investment diversification.

6. Delegations

There were no delegations.

7. Administration

7.1 Correspondence

There were no communications to consider.

7.2 Reports

A) Community Safety and Well-Being (CSWB) Plan Update (2023-A-15)

Report #2023-A-15 from Elaine Baxter-Trahair, Chief Administrative Officer, was received.

E. Baxter-Trahair advised that this report is an update on the Community Safety and Well-Being activities and that the focus going forward is to ensure that the data is available to measure outcomes.

Moved by Councillor Lee, Seconded by Councillor McDougall,
(72) That Report #2023-A-15 of the Chief Administrative Officer, be received for information.

CARRIED

8. Finance

8.1 Correspondence

There were no communications to consider.

8.2 Reports

A) Prudent Investor: Options Analysis and Next Steps for Adoption (2023-F-23)

Report #2023-F-23 from Nancy Taylor, Commissioner of Finance, was received.

N. Taylor, D. Ramkissoon and J. Hess responded to questions with respect to:

- working with the local area municipalities;
- which of the Region's municipalities have expressed an interest in joining ONE Investment;
- is there any benefit in waiting for the other municipalities to decide how they would like to proceed before making any decisions;
- why does it cost more for the Region to start this process than it did for the City of Toronto;
- the amount of the Board remuneration;
- if the Region decides to go with ONE Investment through the (Joint Investment Board (JIB) now, can other investment option choices be made in the future;
- which budget year would the investment returns impact;
- are the costs ongoing or one-time;
- how would investments be divided;
- if a by-law is put in place to move to Prudent Investor, is it revocable;
- the process moving forward;
- other large municipalities who may be interested in ONE Investment;
- is working with ONE Investment the best value for the Region;
- if the front-ended costs decrease for additional municipalities that join and if those who joined earlier will receive a rebate;
- eligibility requirements for municipalities to join;
- are there any guarantees on annual rates of return;
- assisting the local municipalities to join/invest;
- will the Region see better returns on investments by joining with the ONE Investment JIB;
- what is the benefit to joining the JIB;
- what happens if the Region creates its own investment board;

- how many additional employees would it take to manage this fund alone; and
- if the Region does not partner with Prudent Investor, would additional Regional employees be required to receive better investment returns.

Comments were made with respect to considering creating the Region's own investment board.

Moved by Councillor McDougall, Seconded by Councillor Garrod,
(73) That we recommend to Council:

- A) That Council approve the adoption of the Prudent Investor Standard;
- B) That Council delegate authority to the Commissioner of Finance/Treasurer to work with interested local municipalities and ONE Investment to determine the most suitable governance structure for the Region of Durham and proceed with next steps as required with a report back on status as feasible;
- C) That the Commissioner of Finance and the Chief Administrative Officer be delegated authority to execute any documents or agreements that may be required to put the PI Standard into effect, as approved by Council and concurrent with applicable by-law approval, to the satisfaction of the Regional Solicitor; and
- D) That the Commissioner of Finance have the discretion to finance varying costs of adopting the Prudent Investor standard based on the most suitable governance structure.

CARRIED

Moved by Councillor McDougall, Seconded by Councillor Woo,
(74) That the Committee recess for five minutes.

CARRIED

The Committee recessed at 10: 57 AM and reconvened at 11:07 AM

A roll call was conducted following the recess and all members of the Committee were present with the exception of Councillors Leahy and Schummer.

B) Water Meters and Related Equipment, Software and Services (2023-F-24)

Report #2023-F-24 from Nancy Taylor, Commissioner of Finance, was received.

Staff responded to a question with respect to whether it has been confirmed that the price offered by Neptune is the lowest.

Moved by Regional Chair Henry, Seconded by Councillor McDougall,
(75) That we recommend to Council:

- A) That the current Standing Agreement (C002817) with Neptune Technology Group (Canada) Limited for the provision of Water Meters and Related Equipment, Software and Services be extended for the period of October 31, 2023, to October 31, 2025;
- B) That the Competitive Procurement Process be utilized for Water Meter Replacement Services for a new services agreement beyond October 31, 2025;
- C) That the Commissioner of Finance be authorized to execute all documents related to the contract.

CARRIED

C) Appeals to Regional Development Charge By-law #42-2023 (2023-F-25)

Report #2023-F-25 from Nancy Taylor, Commissioner of Finance, was received.

Moved by Regional Chair Henry, Seconded by Councillor McDougall,
(76) That we recommend to Council:

- A) That the consulting firm of Watson & Associates Economists Ltd. and legal firm of WeirFoulds LLP be retained, at an estimated cost not to exceed \$75,000, to provide technical and legal expertise to assist staff with the preliminary analysis of the five appeals to the Ontario Land Tribunal regarding Regional DC By-law #42-2023 and to support staff in meetings with the appellants;
- B) That staff report back to Regional Council if any of the five appeals proceed to the Ontario Lands Tribunal which will require additional financial resources;
- C) That the cost of this external consulting and legal services expenditures in the estimated amount of up to \$75,000 be funded at the discretion of the Commissioner of Finance; and
- D) That the Commissioner of Finance be authorized to execute any necessary agreements.

CARRIED

D) Capital Budget Approval for Phase 1 of the Durham Region Transit Harmony and Windfields Farm Terminals (2023-F-26)

Report #2023-F-26 from Nancy Taylor, Commissioner of Finance and Bill Homes, General Manager, Durham Region Transit was received.

Staff responded to a question regarding whether funds were included in the 2023 budget for the land purchase.

Moved by Regional Chair Henry, Seconded by Councillor McDougall,
(77) That we recommend to Council:

- A) That the Harmony Terminal (Phase 1) capital project budget in the amount of \$5,000,000 for land acquisition and associated costs be approved;
- B) That the Windfields Farm Terminal (Phase 1) capital project in the amount of \$2,000,000 for land acquisition and associated costs be approved;
- C) That a total of up to \$7,000,000 in debenture financing for the Harmony Farm Terminal (Phase 1) project (\$5,000,000) and the Windfields Farm Terminal (Phase 1) project (\$2,000,000) be approved; and
- D) That the Commissioner of Finance/Regional Treasurer be authorized to execute all necessary agreements subject to the approval of the Regional Solicitor and the General Manager, Durham Region Transit.

CARRIED

9. Advisory Committee Resolutions

9.1 Durham Region Anti-Racism Taskforce Resolution, re: Request to Fly Pan-African Flag

Regional Chair Henry advised that there is a flag policy in place and this request is outside of the realm of the policy and will need to be investigated.

Moved by Regional Chair Henry, Seconded by Councillor Woo,

(78) That the following recommendation from the Durham Region Anti-Racism Taskforce (DRART) be referred to staff:

That the Pan-African flag be flown continuously at Durham Region Headquarters in support of African Refugees and Asylum Seekers.

CARRIED

10. Confidential Matters

10.1 Reports

A) Confidential Report of the Commissioner of Corporate Services – Labour Relations/Employee Negotiations with respect to Non-Unionized Management/Exempt Group (2023-A-16)

Confidential Report #2023-A-16 from Barb Goodwin, Commissioner of Corporate Services, was received.

Moved by Councillor Lee, Seconded by Councillor Garrod,

(79) That we recommend to Council:

That the recommendations contained in Confidential Report #2023-A-16 of the Commissioner of Corporate Services be adopted.

CARRIED

11. Other Business

11.1 Budget Guideline Follow-Up Report Update

Chair Ashe asked for an update on what has occurred since the discussions at the September Finance & Administration Committee and Regional Council meetings regarding the 2024 Budget guideline.

N. Taylor advised that the two additional budget guideline scenarios that were requested are being discussed with Department Heads in an attempt to find ways to meet the requested guidelines, and there will be a report back in November.

In response to a question regarding if the Region has received any reimbursement for the funds provided to Ukrainian and Afghan asylum seekers, N. Pincombe provided details on the amount that has been budgeted to assist asylum seekers.

Discussion ensued with respect to the proposed tax increase being heavily weighted on things the Region has no control over; and that some of the service level increases the Region is seeing are due to growth through immigration and there is a need for partners at the provincial and federal levels to come to the table to help.

In response to a question regarding whether the Durham Regional Police Services Board (DRPSB) is going through the same process and rigour that the Region is to review their budget, Chair Ashe noted that the Police Chief advised at the last Council meeting that the Board had met and there was no change in their budget request. Councillor Woo also advised that the DRPSB will look at the request for a reduced budget increase, but it may not be feasible given the increased need for policing in Durham Region.

A question was raised regarding whether the public open house for the budget is still happening on October 12th and N. Taylor advised it is being postponed until January 2024.

12. Date of Next Meeting

The next regularly scheduled Finance & Administration Committee meeting will be held on Tuesday, November 14, 2023 at 9:30 AM in Council Chambers, Regional Headquarters Building, 605 Rossland Road East, Whitby.

13. Adjournment

Moved by Councillor Lee, Seconded by Councillor Woo,
(80) That the meeting be adjourned.

CARRIED

The meeting adjourned at 11:30 AM

Respectfully submitted,

K. Ashe, Chair

L. Fleury, Legislative Officer



The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Chief Administrative Officer
Report: #2023-A-17
Date: November 14, 2023

Subject:

Appointment of new member to the Durham Accessibility Advisory Committee (AAC)

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

That the following person be appointed to the Durham Accessibility Advisory Committee:

Ms. Meghann Lloyd – Professional from the stakeholder community

Report:

1. Purpose

1.1 The Accessibility Advisory Committee's (AAC) Terms of Reference allow for an eleven-member committee. The purpose of this report is to facilitate one appointment for the vacant position for a professional from the stakeholder community.

2. Background

2.1 Under the Ontarians with Disabilities Act, 2001 (ODA), Durham Region is obligated to form an Accessibility Advisory Committee (AAC). A second piece of legislation, Accessibility for Ontarians with Disabilities Act, 2005 (AODA) was proclaimed in 2005. However, the first Act was not repealed, and therefore, Durham must comply with both pieces of legislation. The requirement to have an AAC is still in effect.

3. Appointment of new members

- 3.1 The application process for the current nominees is the same as was for the original committee. After completing an application form, an interview was held with each applicant. The selection criteria used to determine suitability to serve on the committee are:
- a. Knowledge of disability issues
 - b. Experience with committees, volunteerism, community work
 - c. Excellent communication skills
 - d. Team building and collaboration skills
 - e. Demonstrated commitment to projects/teams
 - f. Ability to build trust and relationships.

- 3.2 Every effort is made to ensure that there is representation from people with a variety of disabilities, lived experiences and from different professional bodies.

The term of membership will correspond with the term of Regional Council and if a member resigns the Region will seek a replacement in accordance with the Terms of Reference.

Following Council's appointment of the membership, the first AAC meeting the new member will attend will be on January 23, 2024.

4. Relationship to the Strategic Plan

- 4.1 This report aligns with the following strategic goals and priorities in the Durham Region Strategic Plan:

- a. Goal 2 – Community Vitality, specifically Priority 2.5 – Build a healthy, inclusive, age-friendly community where everyone feels a sense of belonging.

5. Professional from the Stakeholder Community Appointment

- 5.1 Ms. Meghann Lloyd is a resident of Oshawa and works as an Associate Professor at Ontario Tech University and as a Senior Research Associate for Grandview Kids. Ms. Lloyd has demonstrated expertise in disability studies and health promotion for children and youth with disabilities. She has been collaborating with the Special Olympics for over fifteen years and has a PhD in Kinesiology from the University of Michigan specializing in physical activity of preschool age children with and without Down syndrome. She brings many years of experience in local and international board memberships and governance, as well as community service to the committee.
- 5.2 Ms. Lloyd meets the eligibility criteria for membership in accordance with the AAC Terms of Reference.

6. Conclusion

6.1 It is recommended that Ms. Meghann Lloyd be appointed as a member on the AAC.

7. Attachments

7.1 Attachment #1: Meghann Lloyd's Resume **Under Separate Cover**

Respectfully submitted,

Original Signed By

Elaine Baxter-Trahair
Chief Administrative Officer



Memorandum to Committee

Date: November 7, 2023

To: Chair Ashe and Members of Finance and Administration Committee

From: Nancy Taylor, Commissioner of Finance

Subject: Guideline Report Referral

The Municipality of
Durham
Finance Department

605 ROSSLAND RD. E.
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CANADA

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durham.ca

Nancy Taylor
Commissioner of Finance

At the September 27, 2023 Regional Council meeting the following recommendation was approved:

'That [Report #2023-F-22](#) be referred to staff to complete the tasks outlined in a new Part F) (That staff be requested to report on the impact of limiting the tax cap at 6.25% and 5.25% for Regional Departments and related agencies; and that the Durham Regional Police Services Board (DRPSB) be requested to provide a scenario of an overall budgetary property tax impact of 2% for Council's consideration) and report back through the Finance & Administration Committee to determine the 2024 Property Tax Supported Budget Guidelines.'

Other portions of the report pertaining to the Community Investment Grants were referred to staff by Finance and Administration Committee for a report back to the November 2023 Finance and Administration Committee (Oak Valley Health Uxbridge and Lakeridge Health Bowmanville).

At the September 7, 2023 Health & Social Services Committee, the committee referred to Finance staff the request support to the Community Care Durham's Community Health and Wellness Centre. In accordance with the Community Investment Grant policy, this would be brought to a Finance and Administration Committee meeting.

Please be advised that it is staff's intention to bring a comprehensive report pertaining to all three issues to the regularly scheduled December Finance & Administration Committee. At that time, staff will also be bringing recommendations to move the 2024 budget consideration meeting dates from February report cycles to March report cycles in the hopes that additional information will be available regarding Provincial and Federal funding.

Sincerely,

A handwritten signature in black ink that reads "Nancy Taylor". The signature is written in a cursive, flowing style.

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance/Treasurer

cc: Nicole Pincombe, Director of Business Planning and Budgets
Elaine Baxter-Trahair, CAO
Regional Chair Henry



The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2023-F-27
Date: November 14, 2023

Subject:

Extension of the Agreement with Community Development Council Durham for Settlement Services for Asylum-Seekers and Refugees

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

- A) That Regional staff be delegated authority, for purposes of the Region's Humanitarian response to asylum-seekers and refugees, to extend the Region's agreement with Community Development Council Durham, execute any transfer payment agreements, expend funds up to a maximum of \$6.0 million in accordance with the program guidelines, make any modifications to the program(s) to ensure desired outcomes are achieved, receive any federal and/or provincial funds for this response, and waive the Region's Purchasing By-law and Budget Management Policy as required for this response; and
 - B) That any costs associated with the extension of this agreement not reimbursed under the federal Interim Housing Assistance Program or the provincial Homelessness Prevention Program be funded at the discretion of the Commissioner of Finance.
-

Report:

1. Purpose

- 1.1 The purpose of the report is to seek approval to extend the current agreement with Community Development Council Durham (CDCD), for purposes of the Region's Humanitarian response to asylum-seekers and refugees, for an additional four and a half months from November 15, 2023 to March 31, 2024. Any costs not reimbursed under the federal Interim Housing Assistance Program or the provincial Homelessness Prevention Program are recommended to be funded at the discretion of the Commissioner of Finance.

2. Previous Reports and Decisions

- 2.1 [Council Information Report # 2023-INFO-81](#), dated September 28, 2023 provides a comprehensive update on the Region of Durham's humanitarian response for asylum-seekers and refugees.

3. Humanitarian Response for Asylum-Seekers and Refugees

- 3.1 Since June, the Region has coordinated support for asylum seekers in conjunction with community partners through existing programs. Community Development Council Durham (CDCD) has been an important partner in providing this support.
- 3.2 CDCD has a proven history of successfully delivering a Resettlement Assistance Program (RAP) in Durham from 2019 to 2023 and continues to lead the efforts of settlement and integration within our communities. Since August 2022, the Region has been in a partnership agreement with CDCD to deliver resettlement programming to Ukrainians. Responding to the influx of asylum-seekers, the program further expanded to accommodate all refugees. To date, CDCD has successfully assisted 228 households (403 individuals), relocating 116 families to affordable long-term housing.
- 3.3 The unexpected influx of new refugee claimants and asylum-seekers in Durham has created a strain on services throughout the Region, leaving refugees entering Durham to face hardship and difficulties in obtaining housing, employment and other important resettlement supports. As of November 1, 2023, three hotel sites are sheltering 294 individuals. In addition to those in temporary sheltering, approximately 100 are supported through the Christian Faith Outreach Centre in Ajax.
- 3.4 CDCD is seeking an extension of their existing partnership agreement with the Region including additional funding of up to \$6.0 million to further support the influx of refugees entering Durham from November 15, 2023 to March 31, 2024. This funding will be used to provide temporary sheltering for up to 250 asylum-seekers and refugees along with staffing required to provide wraparound supports, resettlement and housing outreach assistance. If the agreement with CDCD is not extended, providing urgent assistance to a rapidly growing number of asylum claimants and other vulnerable populations will be at risk. Without extending the agreement with CDCD, providing urgent assistance to a rapidly growing number of asylum claimants and other vulnerable populations will be at risk. It is expected that up to 250 asylum-seekers and refugees residing in Durham will be without shelter, supports for interim housing assistance and referrals, basic needs and access to food, settlement services, and other wrap around supports.

4. Financial Considerations

- 4.1 The estimated cost to the Region of extending this agreement with CDCD from November 15, 2023 to March 31, 2024 is \$6.0 million.

- 4.2 Regional staff have applied for \$6.7 million in federal funding under the Interim Housing Assistance Program for reimbursement of costs incurred to date and those projected to be incurred by December 31, 2023. It is anticipated that the Region will hear confirmation from the federal government on any funding for the Region in the coming months. In addition, staff will look to utilize any available funding under the provincial Homelessness Prevention Program to offset these costs.
- 4.3 It is recommended that any costs associated with the extension of this agreement not reimbursed under the federal Interim Housing Assistance Program or the provincial Homelessness Prevention Program be funded at the discretion of the Commissioner of Finance.

5. Relationship to Strategic Plan

- 5.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- Goal 2 Community Vitality – to foster an exceptional quality of life with services that contribute to strong neighbourhoods, vibrant and diverse communities, and influence our safety and well-being.
 - Goal 4 Social Investment – to ensure a range of programs, services and supports are available and accessible to those in need, so that no individual is left behind.
 - Goal 5 Service Excellence – to provide exceptional value to Durham taxpayers through responsive, effective and financially sustainable service delivery.

6. Conclusion

- 6.1 With the recent and ongoing influx of asylum-seekers and refugees, the Region is looking to extend its existing partnership agreement with CDCD for settlement services from November 15, 2023 to March 31, 2024 at an estimated cost of \$6.0 million. The Region has applied for funding under the federal government's Interim Housing Assistance Program to cover these costs. Any costs associated with the extension of the agreement not reimbursed under the federal Interim Housing Assistance Program or the provincial Homelessness Prevention Program would be funded at the discretion of the Commissioner of Finance.

Respectfully submitted,

Original Signed By

Nancy Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By _____

Elaine C. Baxter-Trahair
Chief Administrative Officer



The Regional Municipality of Durham Report

To: Finance & Administration Committee
From: Commissioner of Finance
Report: #2023-F-28
Date: November 14, 2023

Subject:

Debt Strategy update

Recommendation:

That the Finance & Administration Committee recommends to Regional Council:

- a) That Council approve the transition to the issuance of Sinking Fund debentures, where warranted, to support borrowing needs of the Region and local municipalities;
 - b) That staff report back on a Debt Management Policy to formalize the standards and controls of the capital financing and debt issuance activities for the Region of Durham; and
 - c) That staff report back on an updated Statement of Investment Policy and Goals which incorporates investment objectives for Sinking Fund investments managed internally by the Region.
-

Report:

1. Purpose

- 1.1 This report evaluates the merits of alternative debenture structures and other changes required for the Region's current borrowing program to support larger debt issuances and recommends next steps to reflect best practices moving forward. Utilizing different debt structures can enhance debt issuance capabilities, improve marketing to potential investors and decrease borrowing costs.

2. Background

- 2.1 Sections 401 and 403 of the Municipal Act, 2001 (the “**Act**”) provide municipalities with the ability to incur debt for municipal purposes, including the issuance of debentures and prescribed financial instruments. The Act further requires that lower-tier (“**local**”) municipalities issue long-term debt through their upper-tier municipalities, except in the case of counties.
- 2.2 Section 408 of the Act provides that a municipality may issue debentures for long-term borrowing only to provide financing for a capital work. Sections 409 and 410 of the Act establish the guidelines to issue Sinking and Retirement Fund debentures for municipalities. Requirements include, but are not limited to, having a fixed principal payment date, estimating an annual contribution amount which, with interest compounded annually, will be sufficient to pay the principal of the debentures at maturity, and the option to establish a sinking fund committee to manage sinking fund investments.
- 2.3 Debenture capital financing may only be undertaken if compliant with the relevant sections of the Act, the Local Improvement Act, or the Tile Drainage Act, and their related regulations. Requirements include, but are not limited to, the following:
 - a. Local and Regional Council approval is required in order to issue debentures;
 - b. The term of the capital financing will not exceed the lesser of 40 years or the useful life of the underlying asset;
 - c. Long-term debt (term exceeding the current fiscal year) will only be issued for capital projects;
 - d. The total annual financing charges after a proposed debt issue will not exceed the Annual Repayment Limit (“**ARL**”) for the municipality responsible for repaying the debt, unless otherwise approved by the Ontario Land Tribunal;
 - e. Prior to passing a debenture by-law which provides that installments of principal or interest, or both, are not payable during the period of construction of an undertaking, Council will have considered all financial and other risks related to the proposed construction financing;
 - f. Long-term debt will be the joint and several obligations of the Region and its local municipalities.
- 2.4 Sources of financing include reserves, reserve funds, external borrowing in the capital markets accessed through a Debt Syndicate and other authorized financial agreements in connection with long-term borrowing offered through governments, their agencies and others, e.g., Canada Infrastructure Bank, Federation of Canadian Municipalities (“**FCM**”), Infrastructure Ontario, Ontario Ministry of Agriculture, Food and Rural Affairs.
- 2.5 As at December 31, 2022, the total long-term debt outstanding for the Region was \$265.8 million. This consisted of \$113.5 million in external debt financing for Regional purposes and \$152.3 million issued on behalf of local municipalities.

- 2.6 The Region supports the use of accumulated funds for capital financing when feasible and appropriate, supplemented with debt if necessary. Debt is considered when beneficial to the Region (e.g., incremental revenue stream over multiple years partially offset capital costs for Long-Term Care Homes) and can be supplemented by access to additional senior government financing (e.g., FCM loans regarding Durham Regional Local Housing Corporation energy retrofits).
- 2.7 The Region of Durham is one of eight municipalities in Canada currently maintaining a AAA credit rating with stable outlook from Moody's. The Region's credit strengths continue to reflect exceptional liquidity and low debt levels, strong population growth, economic diversity, and a positive operating profile with conservative fiscal and debt management. Maintaining a high credit rating is critical to supporting access to capital markets and obtaining attractive borrowing rates.

3. Previous Reports and Decisions

- 3.1 On June 29, 2022, Council authorized the issuance of external debentures not to exceed \$57.9 million on behalf of the City of Pickering, the Municipality of Clarington and The Regional Municipality of Durham ([Report #2022-F-17](#)).
- 3.2 Confirmation of the Region's Triple "A" credit rating with a stable outlook by Moody's Investors Service was provided in the May 26, 2023 Council Information Package ([Report #2023-INFO-45](#)).
- 3.3 On June 28, 2023 Council authorized the establishment of a Debenture Committee and delegated to it the authority to enact debenture, other long-term borrowing and temporary borrowing by-laws ([Report #2023-F-12](#)).

4. Methods of Issuing Debentures

External Debentures

- 4.1 The use of a Debt Syndicate, also referred to as Fiscal Agent(s), will be the primary method by which debentures will be sold by the Region to acquire capital project financing for the Region and local municipalities. The Debt Syndicate oversees the issuance of external debentures in the capital markets, including marketing and selling debentures to investors.
- 4.2 Considerations used for membership in the syndicate will include, among other things: the demonstrated ability of the Fiscal Agent(s) to underwrite and/or sell debentures in the Canadian capital markets; its commitment to provide an active and robust "secondary market" for municipal debt; and its support for maintaining and developing new investors for municipal debentures. The composition of the Debt Syndicate will be reviewed as required to address the borrowing needs of the Region and local municipalities.
- 4.3 For over 30 years, CIBC World Markets Inc. and RBC Dominion Securities Inc. have acted as the Region's Debt Syndicate/Fiscal Agent(s). In this role, they have

provided advice to staff on an on-going basis and have successfully marketed the Region's debenture issues.

Internal Debentures

- 4.4 The Region and local municipalities have the general power pursuant to section 417 of the Act, to apply reserve funds to a purpose other than that for which the fund was established. This includes utilizing reserve funds to finance capital projects.
- 4.5 Borrowing from internal reserve funds is permitted, provided that excess funds are available and the use of these funds will not adversely affect the intended purpose of the originating reserve fund. Interest should be paid to the lending reserve fund at a prescribed rate appropriate for the respective municipality.
- 4.6 A local municipality has the authority to issue a promissory note for a term that does not exceed the term of council and borrow from its own reserve fund(s) (subject to any restrictions that may apply to any reserve fund(s)) for a capital work. Borrowing of this nature by the local municipalities does not require debenture documents to be issued by the Region.
- 4.7 Internal borrowing from reserve fund(s) for capital works for a term beyond the term of council, constitutes long-term borrowing and is to be long-term financed through the issuance of debentures. The Region has received confirmation from external legal counsel that its current practice of issuing a formal debenture certificate and by-laws for internal debentures undertaken at either the regional or local level complies with the provisions of the Act.

5. Debenture Structures

Serial Debentures

- 5.1 Serial Debentures refer to a type of debt of which a portion of the principal matures each year throughout the life of the debenture issue and interest is paid on the unpaid balance in one or more instalments in each year.
- 5.2 Serial debentures are highly utilized by municipalities in terms up to 20 years, support borrowing amounts up to approximately \$75 million and are typically more cost-effective than issuing Sinking Fund and amortizing debentures.
- 5.3 In a normal, upward sloping yield curve, serial debentures can offer the lowest cost of financing given that pricing is spread across the curve. However, in the current inverted yield curve environment this may not always be true. They appeal to investors employing a buy and hold strategy and incorporate a principal pay-down feature, eliminating the need for sinking funds.

Sinking Fund Debentures

- 5.4 Sinking Fund debentures are long-term debt instruments that contain a sinking fund provision pursuant to which the issuer has undertaken to annually pay on a fixed date funds into a sinking fund for the repayment of the principal at maturity.
- 5.5 Sinking Fund debentures are another common structure used by larger municipalities to issue debt in the capital markets. They are appropriate for large capital projects with useful lives up to 40 years and transaction sizes in the area of \$100 million and more.
- 5.6 Sinking Fund debentures can accommodate terms up to 30 years, offer the broadest investor base and highest liquidity of all debt structures. However, Sinking Fund debentures are best suited for large capital projects with expected useful lives coinciding with benchmark borrowing terms of 5, 10, 20 and 30 years. Smaller projects, with varying maturities between benchmark terms (e.g., 7 or 9 years) may require alternative funding sources or debt structures.
- 5.7 A unique characteristic of Sinking Fund debentures is the requirement to establish and maintain sinking fund investment portfolios. Funds must be contributed by all participants in the Sinking Fund and invested annually to ensure sufficient funds are available to retire the debt at maturity. Contributions made to a sinking fund may result in annual surpluses or deficits based on the investments chosen.
- 5.8 Sinking fund investment portfolios also require several additional administrative duties such as maintaining separate sinking fund financial statements and audits.

Amortizer Debentures

- 5.9 Amortizer Debentures refer to debentures for which the total annual payment (principal plus interest) is approximately even throughout the life of the debt as the interest paid decreases and principal paid increases over the term.
- 5.10 Amortizer debentures are utilized less frequently in the municipal sector as they tend to be the most expensive debt structure due to their illiquidity and have a smaller investor base. However, they can support borrowing terms up to 30 years and incorporate a principal pay-down feature which eliminates the need for a sinking fund.

Retirement Fund Debentures

- 5.11 Retirement Funds are a hybrid structure which can incorporate elements of Serial, and Sinking Fund debentures where the issuer agrees to annually contribute into a retirement fund for the repayment of the principal at maturity only after the principal of other debentures issued under the same debenture by-law becomes payable. This structure is used infrequently to issue external debentures by Ontario municipalities as few issuers utilize both Serial and Sinking Fund debentures.

Please see *Appendix A: Debenture Structures* for additional details on Serial, Sinking Fund and Amortizer formats.

6. Debenture Issuance Process

- 6.1 The Debenture issuance process is complex, requiring significant collaboration and information exchange between the Region, local municipalities, Debt Syndicate, external legal counsel and investors to ensure regulatory requirements are met and securities are sold in a timely manner prior to settlement in the market.
- 6.2 Frequent communication between Finance divisions is also required throughout the process and post issuance to ensure supporting documentation is provided to enable the payment of legal fees, receipt and disbursement of interest and/or principal payments, assignment of bond ratings and recordkeeping.
- 6.3 Although some procedures may differ between external and internal debenture issuances, in general the processes are comparable.

Please see *Appendix B: Example Debenture Issuance Process* for more details on the steps required to obtain debt financing in the capital markets.

7. Discussion

- 7.1 The Region and local municipalities are going through a period of rapid growth and significant cost inflation and recent forecasts by the locals shows a need for borrowing in excess of \$250 million through the capital markets each year from 2024 to 2026. Moreover, the Region's ten-year capital forecast projects a total of \$1.2 billion in debenture financing required over the next 10 years. This level of annual debt financing is unprecedented for the Region and alternative debt securities and strategies are required to cope with increased borrowing volumes.
- 7.2 Debt capital markets continue to be extremely volatile into late 2023 with higher rates expected until the middle of 2024, at the earliest. The Region and local municipalities have made a collaborative effort to defer long-term borrowing until 2024 in an effort to minimize interest costs.
- 7.3 The Region has traditionally utilized Serial debentures to execute its borrowing program based on the size and liquidity requirements of the Region and eight local municipalities. Going forward, Sinking Fund debentures are also required to enhance debt issuances and ensure access to sufficient capital financing in the capital markets.
- 7.4 Transitioning into Sinking Fund debentures is consistent with best practices utilized by other municipal debt issuers. Staff obtained borrowing program details from several large municipalities, including the Regions of York, Peel and Waterloo and Cities of Ottawa and Toronto. From 2017 to 2022, their average annual debt issuance was \$167 million, with most issuers going to market about twice a year

and utilizing six Debt Syndicate members on average to improve marketing of debenture issuances.

8. Recommendation

- 8.1 To support the capital infrastructure needs of the Region and local municipalities, Staff recommend the development and enhancement of policies, procedures and debt issuance and investment capabilities to facilitate the issuance of Sinking Fund debentures.

9. Next Steps

- 9.1 Staff will review and determine the frequency and structure of external debenture issuances required to accommodate growth in the region and support debt requests of the local municipalities. It is anticipated that Sinking Fund debentures will be required as early as 2024 to satisfy capital financing needs estimated to be in excess of \$250 million. Serial debentures may be considered for issuance sizes below \$75 million or for projects with varying maturities between benchmark terms.
- 9.2 The composition of the Debt Syndicate will be reviewed to assess the need to appoint additional Fiscal Agent(s) to improve marketing and issuance capabilities in the capital markets.
- 9.3 A unified Debt Management Policy is required to establish financial guidelines and appropriate standards for the capital financing and debt issuance activities of the Region. The policy should be developed to help guide the effective management of debt to ensure the delivery of infrastructure and services to the residents and businesses within the Region in a sustainable manner. This is a key deliverable supporting the Long-term Financial Planning Framework for the Region of Durham as reflected in [Report 2019-F-33](#).
- 9.4 The Region's Statement of Investment Policy and Goals will also need to be updated to include objectives for Sinking Fund investments managed internally to support Sinking Fund debentures issued for the Region and local municipalities.
- 9.5 As a new Sinking Fund debenture issuer, the Region will need to develop its investor relations activities in collaboration with members of the Debt Syndicate. This may include participating on national investor calls or presenting at industry events to convey the financial strengths of the Region in the investment community.

10. Conclusion

- 10.1 Regional staff have explored options to implement best practices to support significantly larger debt issuances and leverage the Region's AAA credit rating to improve marketability of future transactions with potential investors.
- 10.2 To manage increased borrowing volumes and obtain the financing required to maintain and build new capital infrastructure, the Region will need to enhance its

debt issuance capabilities by venturing into Sinking Fund debentures and/or increasing the number of debenture issuances undertaken annually.

- 10.3 Effective management of sinking fund investment portfolios will require enhanced collaboration between the Region and local municipalities to ensure contributions are made in a timely manner and that excess balances and funding shortfalls are managed effectively. Regional staff are currently working on preparing documentation which can be shared with municipal staff at the local level and the Manager, Investment Portfolio will also be providing an update at the Area Treasurers meeting in November.
- 10.4 Sinking Fund debentures are typically associated with larger Debt Syndicates to support and market debt issuances over \$100 million. The Region will likely need to expand membership in its Debt Syndicate to include additional financial institutions to facilitate large debt issuances.
- 10.5 Utilizing Sinking Fund debentures sets the foundation for the Region to establish a framework to issue debentures such as sustainable and green bonds in the future to fund projects with positive environmental, social, and governance impacts.
- 10.6 As the debt strategy evolves and new financing structures are utilized, an update of existing debt management policies and procedures is required to ensure the Region adheres to statutory requirements, maintains a superior credit rating, attains long-term financial sustainability and flexibility, mitigates financial risk and minimizes the long-term cost of borrowing.
- 10.7 Recommendations proposed in this report are consistent with the Region's long-term financial planning principle of maintaining financial flexibility as noted in its [Long-term Financial Planning Framework](#). A dynamic debt strategy exemplifies a commitment to addressing and adapting to changes (both in the internal and external environment), uncertainties and liabilities by managing a cost-effective borrowing program and avoiding potentially negative impacts to multi-generational taxpayer and user rate affordability.

11. Relationship to Strategic Plan

- 11.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
 - a. Goal 5.4 Service Excellence – This report demonstrates the commitment to effective, responsible financial management and provision of exceptional value to Durham taxpayers by identifying opportunities to drive organizational success through innovation, a skilled workforce, and modernized services.

12. Attachments

Attachment #1: Appendix A: Debenture Structures

Attachment #2: Appendix B: Example Debenture Issuance Process

Respectfully submitted,

Original Signed By

Nancy Taylor
Commissioner of Finance/Treasurer

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Appendix A: Debenture Structures

Structure Highlights – Bullets / Serials / Amortizers				
	Structure	Sinking Fund/Bullet	Serial	Amortizer
1	Size	Typically min. C\$50 million; C\$100-400 million common size range	Suitable for smaller sizes, typically ranging from C\$25-75 million	Historically \$20-100 million, similar to serials
2	Term	5 / 10 / 20 / 30yrs	1-10 / 1-15 / 1-20yrs	20-30yrs
3	Principal Paydown	No – interest only till maturity	Yes – a line matures every year, bringing down the total deal size every year	Yes – principal and interest each year; customizable payments
4	Sinking Fund	Yes, sinking fund to be maintained to pay down maturity	No sinking fund required	No sinking fund required
5	Investors	Traditional muni buyers, broadest investor base	Subset of the muni buyers; niche investor base who participate in serials	Private placement buyers, primarily life insurance companies
6	Liquidity	High – significant trading activity	Medium – mostly buy and hold	Low – rarely traded; buy and hold, tucked away till maturity
7	Pricing	Pricing at one point on the curve	Lowest cost of financing given pricing across the curve	In between bullets and serials; pricing depends on weighted-average life maturity + amortizer premium
8	Documentation	Streamlined documentation	Similar to sinking fund debentures; includes repayment schedules	Very similar to serials; not onerous
9	CDS Fees	Lowest given fewer “events”	Typically higher than bullets and could vary depending on term (1-10 / 1-15)	Slightly higher than serials due to a new CDS event management fees

Appendix B: Example Debenture Issuance Process

Prior to Issuance

- a. Local municipalities provide a letter to the Region Treasurer advising of their intentions to obtain long-term debt through a debenture including estimated timing, amount, term and passes a borrowing by-law;
- b. Local municipalities provide authorizing documents to the Region e.g., by-laws, council reports, resolutions and meeting minutes, confirmation of capital works, compliance with ARL etc.;
- c. Regional staff and external legal counsel review authorizing documents for compliance with the Act;
- d. The Region consolidates borrowing requests, determines a suitable debt structure and submits a Council Report to approve the debenture issue;
- e. After approval, the Region confirms the desired settlement date of the debenture issuance with the Debt Syndicate and external legal counsel;

Issuance Period

- f. Notify local(s) of debenture timeline and key dates;
- g. Region completes pricing call and provides locals with final pricing details;
- h. Final pricing and purchase letter are provided by the lead Fiscal Agent;
- i. The purchase letter is executed by the engaged parties, as appropriate;
- j. Debenture documents are provided to the municipalities for signature (e.g., certificates of Clerk, Treasurer);
- k. Local(s) to provide executed documentation e.g., certificates of Clerk, Treasurer;
- l. The Debenture Committee approves the debenture certificates and numerous other debenture documents and by-law(s) are passed;

Between Issuance and Settlement:

- m. Debenture documents from local(s) and Region are provided to external legal counsel e.g., all approved certificates, debentures, by-law(s), etc.;
- n. Region to provide repayment schedules from Debt Syndicate lead to local(s);
- o. Region and local(s) to coordinate disbursement of funds and payment of future coupon and maturities;
- p. Debenture certificates are distributed to the Canadian Depository for Securities for registration;

Settlement Date:

- q. Confirmation of no changes to the conditions for the issuance of the debenture by the Region and issuance of the legal opinion;
- r. Net proceeds are disbursed to the Region by the Debt Syndicate lead;
- s. Region confirms receipt and transfers funds to the local municipality(ies);
- t. Local(s) confirm receipt of debenture proceeds.



The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2023-F-29
Date: November 14, 2023

Subject:

Authorization to Undertake a Review and Update of the Seaton Water Supply and Sanitary Sewerage Service Area Specific Development Charge By-law and to Proceed with the Public Process for the Passage of a new Development Charge By-law

Recommendations:

That the Finance and Administration Committee recommends to Regional Council:

- A) That a review and update of the Seaton Water Supply and Sanitary Sewerage Service Area Specific Development Charge By-law, be undertaken;
- B) That the Statutory Public Meeting of Regional Council, as required by the Development Charges Act, 1997 (DCA) be held on March 27, 2024 in the Regional Council Chambers at the beginning of the regular Regional Council meeting to consider the proposed Area Specific Development Charge By-law and Background Study for water supply and sanitary sewerage services in the Seaton area;
- C) That the proposed Seaton Water Supply and Sanitary Sewerage Area Specific Development Charge By-law and Background Study, as required by the DCA be released to the Public at no charge upon request to the Regional Clerk's Department and posted on the Region's website, commencing March 12, 2024;
- D) That staff be authorized to place appropriate notification in newspapers of sufficiently general circulation in Durham Region and the Regional web-site setting forth the date, time, location and purpose of the Statutory Public Meeting, and the date and contact for the release of the proposed Seaton Water Supply and Sanitary Sewerage Area Specific Development Charge By-law and Background Study no later than March 6, 2024;
- E) That the consulting firm of Watson & Associates Economists Ltd. and legal firm of WeirFoulds LLP be retained to assist staff with this Development Charge review and preparation of the Development Charge Background Study and By-law at a cost up to \$100,000, to be financed from the Seaton project management / capital reserve; and

- F) That the Commissioner of Finance be authorized to execute the necessary agreements.
-

Report:

1. Purpose

1.1 The purpose of this report is to:

- A) Inform Regional Council of the pending work to amend or renew the Seaton Water Supply and Sanitary Sewerage Service Area Specific Development Charge By-law (Seaton ASDC By-law);
- B) Seek authorization for staff to proceed with the public process regarding the Seaton ASDC By-law; and
- C) Seek authorization for staff to acquire the necessary consulting and legal services required to complete the ASDC By-law.

2. Background

2.1 The current Seaton ASDC By-law (#38-2019) was approved on June 26, 2019 (effective on July 1, 2019) and expires on June 30, 2024.

2.2 A number of changes were made to the DCA through the More Homes Built Faster Act (Bill 23) in November 2022 that will be given consideration in adopting a new ASDC By-law for Seaton (e.g. phase-in of charges, broadening of exemptions for secondary units, non-profit housing exemptions, rental housing discount, affordable/attainable housing exemptions, the revised definition of capital costs to remove studies, and 10-year by-law term). As well, there were changes to the Region-wide DC By-law (#42-2023) which became effective on July 1, 2023 that will be incorporated into this new by-law (e.g. definition of bedroom, treatment of stacked townhomes, redevelopment charge credit etc.).

2.3 In November of 2015, the Region and the Seaton Landowners Group, which includes the Province as a landowner, executed the Phase 1 Regional Front-Ending Agreement for Seaton. Phase 1 includes the financing and construction of the Regional infrastructure required to service 9,800 Single Detached Equivalent (SDE) residential units and 200 acres (81 ha) of Prestige Employment Lands. As part of that agreement, the Landowners are entitled to certain Development Charge credits for Phase 1 Regional infrastructure designed, constructed and funded by them.

2.4 The Region established area-specific charges for water and sanitary sewerage services for the Seaton community consistent with the front-ending agreement required to advance the infrastructure works. Under the DCA, the Region provides water and sanitary sewerage DC credits to the Seaton Landowners Group.

2.5 The Region has commenced negotiations with the Seaton Landowners Group to develop a Front Ending Agreement to address the balance of the development of Seaton (Phase 2 Regional Front Ending Agreement). Area-specific development charges for water and sanitary sewerage services for the Seaton community are anticipated to be necessary to support the Phase 2 Regional Front Ending Agreement.

3. Previous Reports and Decisions

3.1 Report #2019-F-23 in 2019 provides the final recommendation on the 2019 Seaton ASDC By-law.

3.2 Report #2021-COW-6 provided authorization to commence negotiations with the Seaton Landowners Group for the Phase 2 Regional Front Ending Agreement.

4. Requirements of DCA and Associated Regulations Regarding Public Process

Public Process

4.1 The DCA and associated regulations require that Regional Council hold at least one public meeting to receive public representation on a proposed by-law or amendment and background study.

4.2 The required public meeting is to be held at the beginning of the Regional Council meeting on March 27, 2024 in the Regional Council Chambers. The final by-law will be considered by Regional Council on May 29, 2024.

Notice of Public Meeting

4.3 Regional Council is required to give at least 20 clear days notice of a public meeting. Therefore, the Regional Clerk will, by March 6, 2024, advertise a notice in newspapers of sufficient general circulation in Durham Region and on the Regional website, the date, time, location and purpose of the Statutory Public Meeting and the date and contact for the release of the proposed by-law and background study.

Release of Proposed By-law and Background Study

4.4 The DCA and associated regulations require that the proposed by-law and background study be made available to the public at least two weeks prior to the public meeting and 60 days prior to the passing of the DC By-law. Accordingly, the proposed Seaton ASDC By-law and Background Study will be available on the Regional website and from the Regional Clerk's office at no charge upon request as of March 12, 2024.

5. Time Frame for the Development Charge Review and Update

The following schedule provides the target dates for an updated Seaton ASDC By-law, to be implemented on July 1, 2024.

<u>TASK</u>	<u>SEATON WATER SUPPLY AND SANITARY SEWERAGE AREA SPECIFIC DCs</u>
Background Development Charge Review	November 2023 – February 2024
Consultation with development industry and area municipalities	January 2024
Public Meeting Notice placed in newspapers (20 days ahead of Public meeting)	By March 6, 2024
Release of Background study and proposed by-law (60 days prior to passing of DC By-Law and 14 days prior to Public Meeting)	March 12, 2024
Public meeting of Regional Council to Review the Background Study and proposed By-law	March 27, 2024
Input from public, local development industry and area municipalities	March - April 2024
Final Date for Public Comment	April 30, 2024
Finance and Administration Committee Review of final By-law	May 14, 2024
Regional Council Consideration of Final By-law	May 29, 2024
Implementation of New ASDC By-law	July 1, 2024

5.1 It is recommended that Watson & Associates Economists Ltd. be retained to assist with the review. This firm has been retained for the Region's past Development Charge studies, including the Seaton ASDC By-law passed in 2013 (effective Nov 26, 2015) and 2019. The firm has extensive experience in the area of development charges and is very familiar with the municipal sector and the Region of Durham in particular.

5.2 It will also be necessary to receive outside legal advice and direction to ensure that the Region complies with the requirements of the DCA, including the new provisions introduced in 2022. The DCA provides for the right of appeal to the Ontario Land Tribunal (OLT), by a person or organization who objects to the new Development Charge By-law. It is imperative, therefore, that the updated by-law be supportable under the regime set out in the DCA. It is recommended that the law firm of WeirFoulds LLP be retained to provide the necessary services, including the preparation of the By-law.

6. Financial Implications

6.1 It is recommended that the external consulting and legal services expenditures estimated at up to \$100,000 be financed from the Seaton project management / capital reserve. Development Related Studies is no longer an eligible cost to be funded by DCs under the DCA, therefore the cost to prepare the DC Background Study cannot be funded by DCs.

7. Relationship to Strategic Plan

7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:

- A) Ensuring the Region's DC By-law is in conformity with the DCA, supporting Goal 5 (Service Excellence)

8. Conclusion

- 8.1 The ASDC By-law review will be undertaken by Regional staff, with the assistance of the recommended consultant and legal counsel to ensure that the ASDC By-law is updated in accordance with the DCA.
- 8.2 The recommended Seaton ASDC By-law review will include consultation with the Area Municipalities, the local development industry, local Boards of Trade, Chamber of Commerce and the public.
- 8.3 This report has been reviewed by staff of the Planning and Economic Development, Works and Corporate Services - Legal Departments who concur with the above recommendations.

Respectfully submitted,

Original Signed By

N. Taylor, BBA, CPA, CA
Commissioner of Finance

Recommended for Presentation to Committee

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

If this information is required in an accessible format, please contact 1-800-372-1102 ext. 2303.



The Regional Municipality of Durham Report

To: Finance and Administration Committee
From: Commissioner of Finance
Report: #2023-F-30
Date: November 14, 2023

Subject:

Durham Region's response to the proposed Affordable Homes and Good Jobs Act (Bill 134)

Recommendation:

That the Finance and Administration Committee recommends to Regional Council:

- A) That Report #2023-F-30 be endorsed as Durham Region's response to the Environmental Registry of Ontario (ERO) posting regarding the proposed Affordable Homes and Good Jobs Act, 2023 with the following key comments and recommendations that the Province:
 - i. refine the definition of "affordable residential unit" to consider affordability across various unit types (i.e., single-detached, semi-detached, townhomes, and apartments by number of bedrooms);
 - ii. update the definition of "affordable residential unit" to ensure that affordable residential units are only available to households that meet and maintain certain income thresholds;
 - iii. allow municipalities to structure the affordable residential unit exemption to address timing of when DCs are collected relative to when the final purchase price or rental rate is known; and
 - iv. make municipalities whole by fully funding the shortfalls created by the affordable residential unit exemption to avoid transferring the cost of this exemption to the existing property tax, and water and sewer user rate base.

- B) A copy of this report and Council resolution be sent to all area municipalities in Durham Region and Durham members of provincial Parliament(MPPs).

Report:**1. Purpose**

- 1.1 The purpose of this report is to seek endorsement of Regional staff's submission dated October 27, 2023 regarding the proposed Affordable Homes and Good Jobs Act, 2023, pursuant to Bill 134: An Act to amend the Development Charges Act, 1997 (DCA) and the St. Thomas - Central Elgin Boundary Adjustment Act, 2023.
- 1.2 On September 28, 2023, the Province of Ontario introduced the proposed Affordable Homes and Good Jobs Act, 2023. If enacted, the legislation would amend the DCA to change the definition of an affordable residential unit for the purpose of discounting and exempting these units from Development Charges (DCs).
- 1.3 The proposed Bill was posted for a 30-day comment period on the Environmental Registry of Ontario, which ended on October 28, 2023 ([019-7669](#)). As such, Regional staff had to submit preliminary comments prior to the November Committee and Council meetings.

2. Background

- 2.1 On October 25, 2022, the provincial government introduced: 'More Homes, Built Faster: Ontario's Housing Supply Action Plan 2022-2023', which is intended to advance the government's commitment to getting 1.5 million homes built across Ontario over the next 10 years. It made a series of changes intended to support the Provincial objective of building more homes, reduce construction costs and fees, and streamline development approvals, in an effort to help future new homebuyers.
- 2.2 On November 28, 2022, the Province passed the More Homes, Built Faster Act, 2022 through Bill 23, which introduced a DC exemption for affordable residential ownership and rental units, with the threshold for affordability determined by the Province through a bulletin posted on the website for the Ministry of Municipal Affairs and Housing (i.e. "Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin").

3. Previous Reports and Decisions

- 3.1 Further details on the implications of Bill 23 can be found in Report #[2022-COW-33](#).

4. Affordable Homes and Good Job Act, 2023 (Bill 134)

- 4.1 On September 28, 2023, through Bill 134, the Province introduced new legislation, titled the [Affordable Homes and Good Jobs Act, 2023](#) (Attachment 1) designed to supplement the current definition of affordable residential units that was embedded in the DCA through Bill 23.

- 4.2 The proposed approach to define an affordable residential unit would use the income, rental, and sales data by area municipality as a factor to determine which residential units would be deemed affordable. In addition, the DCA requires a 25-year agreement be executed between the area municipality and the developer/owner with the Ministry to provide a template agreement.
- 4.3 If passed, the legislation would amend the criteria for an affordable rental residential unit as follows:
- a. For rental housing, the rent is no greater than the lesser of:
 - i. the income-based affordable rent for the residential unit set out in the “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin”, as identified by the Minister of Municipal Affairs and Housing, and
 - ii. the average market rent identified for the residential unit set out in the “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin”.
 - b. In identifying the income-based affordable rent applicable to a residential unit, the Minister of Municipal Affairs and Housing shall,
 - i. determine the income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for renter households in the applicable local municipality; and
 - ii. identify the rent that, in the Minister’s opinion, is equal to 30 per cent of the income of the household referred to in clause (a).
- 4.4 If passed, the legislation would amend the criteria for an affordable ownership residential unit as follows:
- a. For ownership housing, the purchase price no greater than the lesser of:
 - i. the income-based affordable purchase price for the residential unit set out in the “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin”, as identified by the Minister of Municipal Affairs and Housing, and
 - ii. 90 per cent of the average purchase price identified for the residential unit set out in the “Affordable Residential Units for the Purposes of the Development Charges Act, 1997 Bulletin”.
 - b. In identifying the income-based affordable purchase price applicable to a residential unit, the Minister of Municipal Affairs and Housing shall,
 - i. determine the income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for households in the applicable local municipality; and
 - ii. identify the purchase price that, in the Minister’s opinion, would result in annual accommodation costs equal to 30 per cent of the income of the household referred to in clause (a).

- 4.5 Regional staff have reviewed the proposed legislation and provided the following comments and recommendations that the Province:
- a. refines the definition of “affordable residential unit” to consider affordability across various unit types (i.e., single-detached, semi-detached, townhomes, and apartments by number of bedrooms);
 - b. updates the definition of “affordable residential unit” to ensure that affordable residential units are only available to households that meet and maintain certain income thresholds;
 - c. allow municipalities to structure the affordable residential unit exemption to address the timing of when DCs are collected relative to the final purchase price or rental rate being known; and
 - d. make municipalities whole by fully funding the shortfalls created by the affordable residential unit exemption to avoid transferring the cost of this exemption to the existing property tax, and water and sewer user rate base.
- 4.6 Attachment 2 is Regional staff’s submission to the Province through the Environmental Registry of Ontario, pending Council’s approval. Due to the short comment period, it was not possible to obtain Council’s endorsement prior to submission. Should Committee or Council wish to supplement or modify the submission, staff will update the Ministry.

5. Financial and Administrative Implications

- 5.1 Our analysis suggests that for every 5 per cent of residential units in Durham Region that qualify for the proposed affordable residential unit exemption, there will be an estimated \$204M in lost DC revenue for the Region of Durham (not including lost DC revenue at the local municipal level), over the 10-year period between 2024-2033. This lost revenue will need to be recovered from property taxes, and water and sewer user rates.
- 5.2 The final sale price of a home, including all selected upgrades, etc., is not known until the sale is closed. Similarly for rentals, the rent is not known until a lease is signed. The proposed structure of the exemption requires municipalities to rely on incomplete information and provide an exemption for affordable residential units before the final home prices or rental rates are known. Consequently, additional steps need to be taken to verify that each unit will meet the affordability criteria once all information becomes available (i.e. sale price or rental rate). These steps will also need to reoccur each time the unit is sold or rented over a 25-year period covered by the affordability agreements. Compared to similar applications without this exemption, it is expected that the time to process applications with affordable residential unit exemptions could be more than double.
- 5.3 This administrative challenge can be mitigated if the Province considers including a mechanism in the 25-year affordable residential unit agreement that requires the developer/owner to supply the necessary information required to grant an exemption, at closing and on an annual basis, to confirm that the unit still meets the affordability criteria. If the unit no longer satisfies the affordability criteria, then the DC would become payable.

- 5.4 A commitment from the Province to make municipalities whole by fully funding the shortfalls created by the affordable residential unit exemption would avoid transferring the cost of growth-related infrastructure to the existing property tax and user rate base, while ensuring that growth pays for growth.

6. Next Steps

- 6.1 Staff will continue to monitor the financial and other impacts of Affordable Homes and Good Jobs Act, including the impacts to effective planning, and financial impacts to the Region.
- 6.2 Through the provincial budget process, the Region will advocate for provincial funding to mitigate the negative financial impacts of the More Homes Built Faster Act (Bill 23) and the Affordable Homes and Good Jobs Act (Bill 134) to property taxpayer and rate payers in the Region.
- 6.3 Work with Province and area municipalities to develop a process that minimizes the administrative burden of implementing these changes.

7. Relationship to Strategic Plan

- 7.1 This report aligns with/addresses the following strategic goals and priorities in the Durham Region Strategic Plan:
- a. Goal 1 Environmental Sustainability
 - b. Goal 2 Community Vitality
 - c. Goal 4 Social Investment

8. Conclusion

- 8.1 The Province introduced the Affordable Homes and Good Jobs Act through Bill 134 that aims to amend the current definition of affordable residential units, for both ownership and rental tenure, in the DCA.
- 8.2 It is recommended that this report and its recommendations be endorsed and submitted to the Province as Durham Region's response to the proposed changes to the DCA related to affordable residential units.
- 8.3 This report has been prepared in consultation with the CAO's office, Corporate Services – Legal Services, Planning, Social Services, and the Finance Departments.

9. Attachments

- 9.1 Attachment 1 - Bill 134: Affordable Homes and Good Jobs Act, 2023
- 9.2 Attachment 2 - Region of Durham Submission to the Environmental Registry of Ontario (019-7669), commenting on the Affordable Homes and Good Jobs Act (Bill 134)

Respectfully submitted,

Original Signed By

Nancy Taylor,
Commissioner of Finance

Original Signed By

Elaine C. Baxter-Trahair
Chief Administrative Officer

Legislative
Assembly
of Ontario



Assemblée
législative
de l'Ontario

1ST SESSION, 43RD LEGISLATURE, ONTARIO
2 CHARLES III, 2023

Bill 134

An Act to amend the Development Charges Act, 1997 and the St. Thomas - Central Elgin Boundary Adjustment Act, 2023

The Hon. P. Calandra
Minister of Municipal Affairs and Housing

Government Bill

1st Reading September 28, 2023
2nd Reading
3rd Reading
Royal Assent



EXPLANATORY NOTE

**SCHEDULE 1
DEVELOPMENT CHARGES ACT, 1997**

The *Development Charges Act, 1997* includes provisions exempting affordable and attainable residential units from development charges. Amendments are made to the provisions that set out when a residential unit shall be considered to be an affordable residential unit.

**SCHEDULE 2
ST. THOMAS - CENTRAL ELGIN BOUNDARY ADJUSTMENT ACT, 2023**

The *St. Thomas - Central Elgin Boundary Adjustment Act, 2023* is amended to enable the City of St. Thomas to grant assistance to a specified corporation during a specified period. A new section 12.1 establishes the total amount of certain assistance that may be granted and enables the Minister to make regulations, including regulations that impose restrictions, limits and conditions on the City's powers under the section.

In addition, the title of the Act is changed to the *Supporting Manufacturing in St. Thomas Act, 2023*. Other amendments are made to provide for the Act being divided into Parts.

Bill 134

2023

**An Act to amend the Development Charges Act, 1997 and the
St. Thomas - Central Elgin Boundary Adjustment Act, 2023**

CONTENTS

1.	Contents of this Act
2.	Commencement
3.	Short title
Schedule 1	Development Charges Act, 1997
Schedule 2	St. Thomas - Central Elgin Boundary Adjustment Act, 2023

His Majesty, by and with the advice and consent of the Legislative Assembly of the Province of Ontario, enacts as follows:

Contents of this Act

1 This Act consists of this section, sections 2 and 3 and the Schedules to this Act.

Commencement

2 (1) Except as otherwise provided in this section, this Act comes into force on the day it receives Royal Assent.

(2) The Schedules to this Act come into force as provided in each Schedule.

(3) If a Schedule to this Act provides that any provisions are to come into force on a day to be named by proclamation of the Lieutenant Governor, a proclamation may apply to one or more of those provisions, and proclamations may be issued at different times with respect to any of those provisions.

Short title

3 The short title of this Act is the *Affordable Homes and Good Jobs Act, 2023*.

**SCHEDULE 1
DEVELOPMENT CHARGES ACT, 1997**

1 (1) Subsection 4.1 (1) of the *Development Charges Act, 1997* is amended by adding the following definition:

“Affordable Residential Units bulletin” means the bulletin entitled the “Affordable Residential Units for the Purposes of the *Development Charges Act, 1997* Bulletin”, as it is amended from time to time, that is published by the Minister of Municipal Affairs and Housing on a website of the Government of Ontario; (“bulletin relatif aux unités d’habitation abordables”)

(2) Paragraph 1 of subsection 4.1 (2) of the Act is repealed and the following substituted:

1. The rent is no greater than the lesser of,
 - i. the income-based affordable rent for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing in accordance with subsection (5), and
 - ii. the average market rent identified for the residential unit set out in the Affordable Residential Units bulletin.

(3) Paragraph 1 of subsection 4.1 (3) of the Act is repealed and the following substituted:

1. The price of the residential unit is no greater than the lesser of,
 - i. the income-based affordable purchase price for the residential unit set out in the Affordable Residential Units bulletin, as identified by the Minister of Municipal Affairs and Housing in accordance with subsection (6), and
 - ii. 90 per cent of the average purchase price identified for the residential unit set out in the Affordable Residential Units bulletin.

(4) Subsections 4.1 (5) and (6) of the Act are repealed and the following substituted:

Rent based on income

(5) For the purposes of subparagraph 1 i of subsection (2), in identifying the income-based affordable rent applicable to a residential unit, the Minister of Municipal Affairs and Housing shall,

- (a) determine the income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for renter households in the applicable local municipality; and
- (b) identify the rent that, in the Minister’s opinion, is equal to 30 per cent of the income of the household referred to in clause (a).

Purchase price based on income

(6) For the purposes of subparagraph 1 i of subsection (3), in identifying the income-based affordable purchase price applicable to a residential unit, the Minister of Municipal Affairs and Housing shall,

- (a) determine the income of a household that, in the Minister’s opinion, is at the 60th percentile of gross annual incomes for households in the applicable local municipality; and
- (b) identify the purchase price that, in the Minister’s opinion, would result in annual accommodation costs equal to 30 per cent of the income of the household referred to in clause (a).

Commencement

2 This Schedule comes into force on the later of the day section 3 of Schedule 3 to the *More Homes Built Faster Act, 2022* comes into force and the day the *Affordable Homes and Good Jobs Act, 2023* receives Royal Assent.

SCHEDULE 2
ST. THOMAS - CENTRAL ELGIN BOUNDARY ADJUSTMENT ACT, 2023

1 The title of the *St. Thomas - Central Elgin Boundary Adjustment Act, 2023* is repealed and the following substituted:

Supporting Manufacturing in St. Thomas Act, 2023

2 The Act is amended by adding the following heading before section 1:

PART I
ST. THOMAS - CENTRAL ELGIN BOUNDARY ADJUSTMENT

3 Sections 1, 8, 11 and 12 of the Act are amended by striking out “this Act” wherever it appears and substituting in each case “this Part”.

4 The Act is amended by adding the following Part:

PART II
ASSISTANCE PERMITTED

Definitions

12.1 (1) In this Part,

“assistance” means, except as otherwise provided in subsection (4),

- (a) a grant, including the giving of money and the selling or leasing of land for less than fair market value or the granting of land,
- (b) a total or partial exemption from any levy, charge or fee imposed during the assistance period, and
- (c) any other assistance as may be prescribed; (“aide”)

“assistance period” means 2023 to 2036 or to such other prescribed year; (“période d’aide”)

“land” includes buildings; (“bien-fonds”)

“prescribed” means prescribed by the regulations made under this Act. (“prescrit”)

Assistance permitted

(2) Despite the *Development Charges Act, 1997*, the *Building Code Act, 1992* and section 106 of the *Municipal Act, 2001*, the City of St. Thomas may, in accordance with this section, grant assistance directly or indirectly to 1000511515 Ontario Inc. during the assistance period.

Total amount of assistance

(3) The total of the amount of assistance, as defined in subsection (4), that is granted under this section shall not exceed the amount equal to the total amount that would otherwise be owed by 1000511515 Ontario Inc. before the assistance in respect of,

- (a) taxes for municipal purposes levied by the City of St. Thomas under the *Municipal Act, 2001* on real property during the assistance period; and
- (b) fees and charges imposed by the City of St. Thomas under any Act during the assistance period.

Same

(4) For the purposes of subsection (3), “assistance” means,

- (a) a grant, other than the selling or leasing of land for less than fair market value or the granting of land; and
- (b) a total or partial exemption from any levy, charge or fee imposed during the assistance period.

Area where assistance may apply

(5) For clarity and subject to the regulations, assistance granted under this section may apply to any area within the City of St. Thomas.

Regulations

(6) The Minister of Municipal Affairs and Housing may make regulations,

- (a) prescribing anything that is referred to in this section as being prescribed;
- (b) imposing restrictions, limits and conditions on the powers of the City of St. Thomas under this section, including providing that assistance or certain types of assistance may only apply to specified areas within the City.

Commencement

5 This Schedule comes into force on the day the *Affordable Homes and Good Jobs Act, 2023* receives Royal Assent.

Sent via email: minister.mah@ontario.ca



October 27, 2023

The Honourable Paul Calandra
Minister of Municipal Affairs and Housing
777 Bay Street, 17th Floor
Toronto, ON M7A 2J3

Dear Minister Calandra:

RE: Affordable Homes and Good Jobs Act (Bill 134)

The Regional Municipality of Durham shares the province's goal of increasing housing supply, and we are committed to working together to find collaborative solutions to address housing affordability. We appreciate the opportunity to comment on the proposed legislation and have enclosed a comprehensive set of remarks prepared by Regional staff which will be presented for endorsement at the Regional Council meeting in November.

There are aspects related to the proposed changes in the Development Charges Act (DCA) that may have unintended consequences that hinder our shared efforts to expedite development and deliver housing sooner. Therefore, we request the following specific changes:

- That the Province refines the definition of “affordable residential unit” to consider affordability across various unit types (i.e., single-, semi-detached, townhomes, and apartments by number of bedrooms). This would facilitate a better range of affordable housing options to address missing middle housing options.
- That the Province updates the definition of “affordable residential unit” to ensure that affordable residential units are only available to households that meet and maintain certain income thresholds (i.e., at or below the 60th percentile of gross annual income in the ownership or rental categories).

- That the Province consider allowing municipalities to structure the affordable residential unit exemption in a way that addresses the timing issue related to when DCs are collected relative to the final purchase price or rental rate being known. For example, this may include a requirement that developers or owners provide proof that a housing unit meets the definition of affordability as provided in the DCA at closing and on an annual basis over a 25-year period. If proof is not provided, or the unit failed to meet the affordable DC criteria, then the DC would become payable. Durham Region would welcome the opportunity to further discuss the administrative challenges related to providing an exemption before purchase prices or rental prices are known, and the complexity of tracking these exemptions and real estate transactions over a period of 25 years.

The proposed changes to the DCA may incent affordable housing development, however, municipalities have limited options for revenue and reducing development charges will lead to a deficit in funding for growth-related infrastructure. These changes will result in a transfer of the costs of growth-related infrastructure to the existing property tax and user rate base, which is unsustainable over the long-term. Durham Region would welcome an opportunity to discuss modifications that would limit the impact of the Bill on existing property taxpayers, and water and sewer user ratepayers. For example, having the Province make municipalities whole by fully funding the shortfalls created by the affordable residential unit exemption would avoid transferring the cost of this exemption to the existing tax and user rate base, while ensuring that growth-pays-for-growth. Our analysis suggests that for every 5 per cent of residential units in Durham Region that qualify for the proposed affordable residential unit exemption, there will be \$204M in lost development charge revenue for the Region of Durham (i.e., does not include lost DC revenue at the local municipal level), over the 10-year period between 2024-2033. This lost revenue will need to be recovered from property taxes, and water and sewer user rates.

Housing forms the building blocks of our communities. The delivery of an ambitious supply of new housing demands processes that are properly aligned, with a commitment to cooperate and collaborate

with a vast array of players. Our communities must be properly planned, financed, and serviced, with impacts managed so that growth can flourish. We look forward to discussing the recommendations provided in this letter and the comments in the attachment as we work towards our collective goal of increasing housing supply across Ontario.

Sincerely,

A handwritten signature in black ink, appearing to read "Nancy Taylor". The signature is written in a cursive, flowing style.

Nancy Taylor, Acting CAO
On behalf of Elaine Baxter-Trahair, Chief Administrative Officer

Attachment 1: Comments on the ERO Postings Associated with Bill
134

Attachment 1 – Region of Durham Submission on Bill 134

Summary and Comments in Support of Affordable Homes and Good Jobs Act, 2023 through Bill 134 (“An Act to amend the Development Charges Act, 1997 and the St. Thomas – Central Elgin Boundary Adjustment Act, 2023”).

ERO Posting and Comment Period	Regional Comment
<p>Schedule 1 of Bill 134</p> <ul style="list-style-type: none"> Definition of Affordability <p>019-7669 September 28, 2023 – October 28, 2023 (30 days) https://ero.ontario.ca/notice/019-7669</p>	<p>(1) Definition of Affordability <u>Requires Further Review: Recommend income-based approach by unit type (e.g., single-, semi-detached, townhomes, and apartments by number of bedrooms) and a requirement that units with affordable development charge (DC) exemptions are available to lower income households.</u></p> <p>The proposed Development Charges Act definition for “Affordable Residential Units” is very similar to the Provincial Policy Statement (2020) definition for “Affordable Housing”. There are some differences with the proposed Development Charges Act definition, including that it no longer cross-references “Low and Moderate Income Households”. Instead, the proposed definition embeds this household income (60th percentile) measure within the definition. While this proposed revision creates a longer definition, it reduces the need to cross-reference a secondary defined term – generally considered a positive streamlining of the current definition.</p> <p>Centralizing the data collection and release of affordability to a singular source provided by the province would be a major improvement – most notably by providing consistency across municipalities. While the current PPS and Region of Durham Official Plan (ROP) definition provide sufficient direction for calculating affordability, the process is constrained by custom data cost and timing/availability. In some instances, these constraints can lead to differences between inputs (and results) among municipalities. The Province should develop a methodology for calculating affordability using a process that is consistent with how municipalities have done so.</p> <p>Durham has measured affordable housing for the purpose of developing the goals of “At Home In Durham, the Region’s Housing Plan for 2014 to 2024”, and assessing the ROP affordable housing target through the Housing Policy Planning Discussion Paper. Statistics Canada Census data for household incomes were used to calculate the income-based affordability thresholds. Some other key assumptions for this analysis included using conventional 5-year mortgage rates reported by the Bank of Canada, 25-year amortization period, and a 5 percent downpayment. Shelter costs for homeowners also include property taxes and CMHC mortgage insurance. Durham’s affordable housing monitoring process is consistent with methodologies used by both Peel and York Region.</p> <p>Recommendations:</p> <ul style="list-style-type: none"> Key assumptions that are necessary to determine affordability thresholds should be clearly identified by the Ministry of Municipal Affairs and Housing. It will be critical for the province to use consistent and reasonable assumptions for calculating the affordable housing in the Affordable Residential Units bulletin. The Province

should clarify the assumptions that are being used to determine shelter costs such as mortgage rates, amortization period, downpayment, property tax, or mortgage loan insurance.

- It is recommended that the Province provides a process that allows municipalities to review the details supporting the calculation of the affordable purchase price and rental rate thresholds.
- The Province needs to provide clarification on the level and extent of geographies to be included and the frequency of publication.
- Another area that needs clarification by the Province are the references to “in the Minister’s opinion”. The definition appears to be largely based on transparent statistical inputs, and it is not clear where opinion-based decision making would be appropriate.
- One area for reconsideration is the use of “average market rent” as one of the measures of rental affordability. Depending on the data source, average may not equate to being affordable. It is recommended that the bulletin reference the CMHC Rental Market Survey where data is available to be consistent with affordable housing incentive programs.
- It is recommended that the Province provide further stratification by unit type (i.e., housing unit types should include single-, semi-detached, townhomes, and apartments by number of bedrooms) within the affordable residential unit definition to assist in addressing all housing needs including missing middle housing options. If the Province wishes to provide financial incentives such as DC exemptions, it is strongly recommended that the calculation of the price or rent of an affordable unit be done by housing type (including number of bedrooms for apartments) to ensure that development reflects the needs of all households, including singles, couples and families, and not merely smaller units such as bachelor and 1-bedroom apartments.
- Of key importance, the proposed legislation does not stipulate that affordable residential units will only be available to individuals or households that fall within the income distribution used to determine affordable residential unit purchase prices or rent (i.e., at or below the 60th percentile of gross annual income in the ownership or rental categories). The legislation should prioritize this income group that would benefit most from this proposed affordable housing DC exemption. Additionally, the Province may want to consider other assets such as savings accounts (including tax-free accounts such as TFSAs and FHSAs), GICs, bonds, stocks, term deposits, treasury bills, mutual funds, and trust funds as a qualifying factor for accessing affordable residential units.

Administrative Implications

019-7669 September 28, 2023 – October 28, 2023 (30 days)
<https://ero.ontario.ca/notice/019-7669>

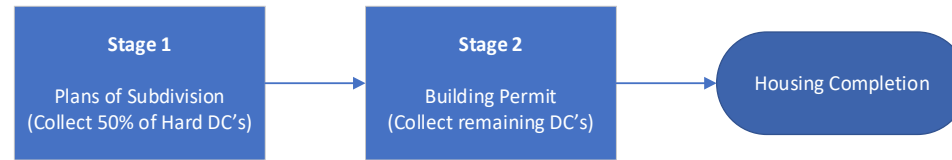
(2) Administrative Implications for Municipalities

Requires Further Review: Recommend the Affordable DC agreement include a mechanism that requires the developer / owner to provide proof on an annual basis that demonstrates that each respective unit meets the affordable residential unit criteria, to maintain the Affordable DC exemption status

The proposed definition for affordable residential units does not consider the considerable administrative implications of administering this DC exemption.

Current DC Collection Process

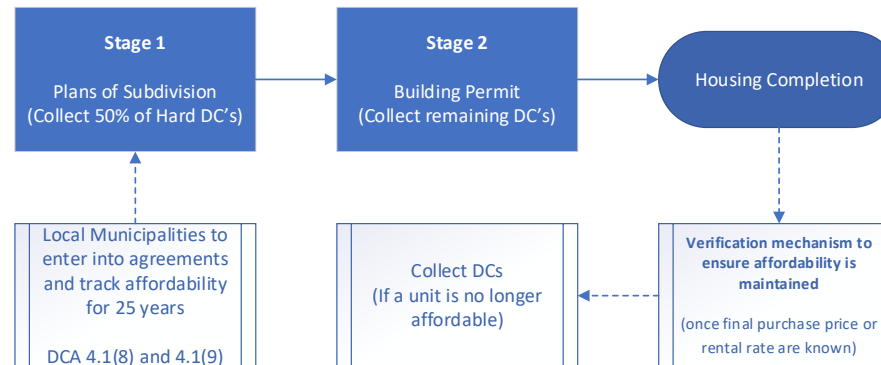
The figure below outlines the current process for collecting DCs at the Region of Durham:



At Stage 1 (Plans of Subdivision) 50 per cent of Hard-Service DCs (i.e. Regional Roads, Water and Sewer DCs) are payable at signing of a subdivision agreement with the remaining 50 per cent due at the first anniversary date of signing. At Stage 2 (Building Permit), any outstanding Hard-Service DCs and all Soft-Service DCs must be paid prior to issuance of the building permit.

Potential New DC Collection Process (Under Bill 134)

The figure below outlines additional administrative steps which we anticipate would be required to satisfy the requirements of Bill 134:



It is requested that the Province provide clarity regarding the process to be followed (see Recommendations below). The changes in the process described above would require developers to identify which lots/units will meet the affordable residential unit criteria prior to signing a subdivision agreement or having a building permit

issued. The Region would need to add a verification mechanism to the DC collection process to confirm that the assumptions used at Stage 1 (Plans of Subdivision) and Stage 2 (Building Permit) are correct once the final purchase price or rent are known. Once this verification has taken place, the Region may need to undertake collection actions, which can be difficult post-development.

Administrative Issues

- The final price of a home, including all selected upgrades, etc., is not known until the sale is closed. Similarly for rentals, the rent is not known until a lease is signed. Therefore, the proposed structure of the exemption would require the municipality to rely on incomplete information since DCs are due before the sales are closed or the leases are signed. To administer this exemption, using the system outlined above, the municipality would need to grant the exemption without knowing if the information provided by a developer is correct or not. Consequently, the additional steps need to be taken to verify that the development meets the affordable residential unit exemption criteria once all information becomes available (i.e. sale price or rental price). These steps will also need to reoccur each time the unit is sold or rented over the 25-year period defined in DCA 4.1(8) and 4.1(9). Compared to similar applications without this exemption, it is expected that the time to process these applications could be more than doubled.

- Monitoring and enforcing the 25-year affordability agreements will be challenging and resource intensive. For example, it would be difficult to prevent situations where affordable ownership units are rented at market rates or where affordable rental units are subleased at market rates.

- Administrative issues can be compounded if a new bulletin is posted for development applications that are in progress. This will result in staff needing to review the new bulletin against existing applications to determine if the development still qualifies for a DC exemption. If the unit no longer qualifies then the municipality would need to collect the outstanding DCs.

- The proposed legislation defines the purchase price or rental price of a residential unit. It does not provide any requirements that guarantee that the units will be occupied by individuals that fall within the income distribution that is being used to define affordability and would benefit most from these housing options.

Clarification questions:

- How is the municipality able to ensure that it will be paid by the developer if units do not meet the affordability exemption requirements at occupancy?

- What happens if new bulletins are published between the time of the subdivision agreement and housing completion/occupancy?

- How often will the bulletins be updated?
 - What happens in terms of DC payments if the unit fails the affordability test over the 25 years of the agreement? Will DCs be pro-rated based on the number of years that a unit was considered affordable?
 - Will the Province include provisions in the template 25-year affordability agreements that ensure that affordable residential units are only available to households that meet certain income thresholds (i.e., at or below the 60th percentile of gross annual income in the ownership or rental categories)?
- Recommendations:**
- The proposed legislation does not define how savings from DC reductions will be passed on to homeowners or renters so that they receive 100 per cent of the benefit of the DC exemption. Nor does it address the situation where a unit becomes unaffordable over the 25 years of the agreement. Without this level of detail it is difficult to ensure that the DC exemption is passed onto homeowners and renters to preserve the integrity of the Province’s proposed definition of affordable residential unit.
 - Regional staff recommend that the Province considers including a mechanism in the affordable residential unit DC agreement that requires the developer / owner to supply the necessary information, at closing and on an annual basis, to confirm that the unit still meets the affordability criteria. If the information is not provided or the unit no longer satisfies the definition of affordability, then DCs become payable.
 - We support the Minister providing standard forms of agreement as noted in DCA 4.1(12) to alleviate some of the administrative burden. However, the Province should consider provisions to ensure the units are occupied by lower income households, and consider the unique collection processes of single-, upper- and lower-tier municipalities. Consultation with the municipal sector by the Province in developing these standard form agreements would be appreciated.

Financial Implications

019-7669 September 28, 2023 – October 28, 2023 (30 days)
<https://ero.ontario.ca/notice/019-7669>

(3) Financial Implications

Requires Further Review: Recommend that the Province fully funds this exemption

It is estimated that for every 5 per cent of units that qualify for the affordable residential unit DC exemption that the Region of Durham will lose approximately \$204M in development charge revenue, over the 10-year period between 2024-2033. That lost DC revenue would have been used to build the infrastructure required to support new development. Approximately 60 per cent of this lost revenue will have to be funded by water and sewer user rate payers, and the remaining 40 per cent will fall on property taxpayers.

The proposed affordable residential unit DC exemptions do not guarantee that developers will pass along savings to new home buyers or renters. However, these exemptions will increase housing costs for all property owners, as taxpayers and user ratepayers will need to cover the DC funding shortfall.

Staff Recommendation:

- The Province should commit to making municipalities whole for any losses incurred to avoid passing along the costs to existing homeowners through property tax and user rate increases.