

An ‘unfathomable’ fallout: Municipalities lash out at Doug Ford’s housing bill

Ontario municipalities say they risk losing \$5 billion in revenue and that major tax hikes and service cuts will follow

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Mississauga City Councillor Carolyn Parrish stops short of calling it panic. But in her 38-year political career, she says she has never seen the kind of stunned apprehension that Ontario’s More Homes Built Faster Act has evoked among municipal officials.

Known as Bill 23, the sweeping act aimed at building 1.5 million more homes in the next decade will freeze and reduce the development fees cities charge developers for the infrastructure to support the residents their buildings will house.

Across the GTA and beyond, politicians and bureaucrats are reeling at the prospect of what the Association of Municipalities of Ontario (AMO) estimates will be a \$5.1 billion revenue shortfall over nine years, including \$400 million in lost funding for community housing.

Civic officials across the region are using words like “unfathomable” and “devastating” to describe the fallout — tax hikes, service cuts and axed capital projects such as roads, sewers and transit.

“Our taxpayers are the ones that are going to be hit by hell,” said Parrish at a Mississauga emergency meeting on the bill this past week.

“I hope everyone enjoys the next four years because we’ll all be thrown out. (Residents) will blame us,” she told her fellow councillors.

Some municipalities, including Toronto — which is warning of a \$230 million annual revenue loss in forgone development and parkland charges

under the new rules — are calling on Queen’s Park to hit pause on the legislation.

Councillors in Mississauga last week talked about pushing back by harnessing the inevitable fury of taxpayers who haven’t yet understood they will be the ones making up that lost revenue.

Mississauga says the new development rules will mean an \$885 million loss in revenue over the next decade. Filling the gap would require a five per cent property tax increase every year for at least 10 years and/or cuts to city services and capital projects, according to city staff.

“Right now, we have no guarantees from either level of government that cities will be made whole,” said Mayor Bonnie Crombie.

“This legislation puts our plans to build and maintain parks and open spaces, libraries, fire stations, sewers, roads and public transit that future and existing residents need and deserve on hold,” she said in a statement from Germany, where she is on a trade mission.

Toronto’s financial hit would come at a time when the city is facing a pandemic-driven budget shortfall of \$815 million this year, and an unfunded hole in next year’s budget of about \$1.5 billion.

City staff warned that Bill 23 could have the additional effect of reducing housing supply because the “revenue losses would limit our ability to advance the necessary infrastructure to support new housing.”

Mayor John Tory said the province is “taking money that otherwise would have come to us to pay for growth and leaving it in the hands of the developers and leaving us with the bill.”

“This is just not a sensible, viable policy. It is just wrong in principle to offer these kind of incentives to developers and use our money to pay for it,” he said in a speech to council.

Council passed a motion from the mayor requesting that the province preserve the city’s current development charge framework.

Municipal Affairs and Housing Minister Steve Clark said Bill 23 will make housing more accessible by incentivizing developers to build more affordable and purpose-built rentals thanks to new fee exemptions on those projects. It will also help reduce the cost of housing for those looking to buy.

“The things that I think we need the most of will be provided as a reduction or an exemption, and it’s all for the same purpose, it’s to get those baseline costs lower.”

“We know that the houses in the GTA face about \$116,900 in cost in terms of development charges and fees. If you equate that to a 20-year mortgage at current rates that adds about \$800 a month to a mortgage payment,” he said.

Clark said he’s willing to work with cities and the federal government to ensure Ontario municipalities access the \$1.4 billion in Ottawa’s housing accelerator fund.

“Transformation is hard. I understand that. But we need to transform the system to get those baseline costs down so that housing is more affordable for young families, new Canadians and seniors that want to downsize,” said the minister.

But Queen’s Park critics and housing advocates say that’s a vague promise of insufficient funds. They say there is nothing in Bill 23 that compels developers to build the kind of affordable rentals and supportive housing that protects against homelessness.

“If municipalities lose this funding they’re put in an impossible position. They will not have enough money to pay for the infrastructure that we need to continue for current and new Ontarians,” said Toronto NDP MPP Jessica Bell, a member of the legislative committee charged with gathering public feedback on the bill.

She said she was struck by the sheer enormity of the housing bill, which is hitting at the same time as the Premier Doug Ford’s Progressive Conservative government has allotted strong mayor powers to Toronto and turned over 7,400 acres of the protected Greenbelt to housing development.

Bill 23, said Bell, “will mean we have more suburban sprawl. Municipalities will have massive budget shortfalls and we will have renters that will be more likely to be evicted and more likely to face higher rent.”

New caps on municipal inclusionary zoning rules will mean developers will build fewer lower-rent units and the bill’s reduction or elimination — it’s not clear which it is — on rent replacement rules will see the already short supply of affordable apartments reduced further, she said.

“Toronto is incredibly expensive for workers, students, people on a fixed income. This is just going to make it worse,” said Bell.

The problem, says Parrish, is, “we’re always too bloody polite.”

Instead of debating Queen’s Park, she wants cities to emulate the union that pressured Ford into repealing the law that stripped education support workers of their right to strike and imposed a contract on them.

“The reaction from CUPE was explosive. And that’s what we need. We need to be organized,” she said. “We need to do what they did. We need to take the sledgehammer and hit a few fingers and make them pay attention.”

At her urging, Mississauga council passed a motion entreating cities to join together in a PR campaign to tell residents about the potential impacts of Bill 23. Such a campaign could also be used to counter the idea that cities are to blame for the housing crisis, said Parrish.

York Region, Aurora, Richmond Hill, Markham and Vaughan are also pushing back on the bill. In a presentation to councillors, Markham and Vaughan staff issued similar warnings of cuts and tax hikes.

A “historic reduction in park space for new communities and the inability to meet citywide standards” would also create significant inequities across existing and new communities, said the report.

Bruce Macgregor, the region’s chief administrative officer, says changes to the development charge model will have significant impact on new infrastructure like roads, pipes and sewage allocation that will be needed to accommodate all the growth the province wants cities to approve.

“There’s an inherent contradiction in a plan that’s premised on accommodating aggressive growth ... and then removing the financial wherewithal to deliver the critical infrastructure to do that,” he said.

Richmond Hill Mayor David West said his city has also asked the province to pause Bill 23 to allow for consultation.

“The costs to municipalities when growth does not pay for growth will be unfathomable,” said West.

“You either have to do without growth infrastructure, or the infrastructure can’t be paid for any other way but through property taxes,” he said. “That tax base was never designed to pay for this kind of growth.”

Colin Best, president of AMO, a non-profit that represents municipal and regional governments, said newly elected local officials haven’t had much time to digest the news.

“This was just completely thrown at us, done the day after the municipal election, so a lot of councils were in limbo, and we’ve got a lot of new mayors and councils that haven’t even had a chance to be inaugurated yet,” said Best.

University of Toronto political science professor Nelson Wiseman said the reaction to Bill 23 is similar to that when Premier Mike Harris’s Conservative government downloaded social services, including housing, onto cities 30 years ago.

“This is a strategy of upper-tier governments — to download on to lower-tier governments,” he said.

If the province wants to build housing it can do that directly, said Wiseman. This tactic puts cities in a tight spot. Unlike the province that can raise all kinds of taxes, cities mainly rely on property taxes.