

May 15, 2025

To our Municipal Clients:

Re: Assessment of Bill 17 (Protect Ontario by Building Faster and Smarter Act, 2025)

In our continued efforts to keep our clients up to date on legislative changes that may impact them, we are writing to inform you that Bill 17, *Protect Ontario by Building Faster and Smarter Act, 2025* (herein referred to as Bill 17) was tabled in the Ontario Legislature on May 12, 2025. This letter provides a summary of the proposed changes to the *Development Charges Act, 1997* (D.C.A.) and commentary on the proposed changes to the growth management framework. As the Bill progresses through the legislative process, we will continue to advise of any amendments and associated impacts.

Note that the Province is seeking comments via the Environmental Registry of Ontario at the following link: <https://ero.ontario.ca/notice/025-0504>. We will be submitting our comments prior to the deadline of June 12, 2025.

1. Overview Commentary

The Province has stated that a goal of this Bill is to simplify and streamline development, while reducing barriers, including development fees. In this regard, the Bill proposes to amend various acts with the intent of building more homes faster in Ontario to address the current housing crisis. In addition to changes to the D.C.A., changes are proposed to the following Acts:

- *Building Code Act, 1992*;
- *Building Transit Faster Act, 2020*;
- *City of Toronto Act, 2006*;
- *Metrolinx Act, 2006*;
- *Ministry of Infrastructure Act, 2011*;
- *Planning Act*; and
- *Transit-oriented Communities Act, 2020*.

In addition to the legislative changes proposed, the Province has announced that they are exploring the use of a public utility model, which may include establishing municipal service corporations for water and wastewater systems. These changes could have significant impacts on the costs and delivery of water and wastewater services in Ontario. While this may serve to reduce the funding obligations from development charges (D.C.s), funding these costs from a broader pool of existing rate payers would likely result in higher water and wastewater rates.



2. Proposed Changes to the *Development Charges Act*

The following provides a summary of the proposed changes to the D.C.A., along with commentary on the potential impacts to municipalities.

1. Exemption for long-term care homes

- Currently, D.C.s imposed on long-term care homes are subject to annual instalments under section 26.1 of the D.C.A.
- The proposed change would exempt long-term care homes from the payment of D.C.s.
- This exemption would apply to any future D.C. instalments on long-term care home developments.
- The D.C.A. does not allow reductions in D.C.s to be funded by other types of development. As such, the exemption will have to be funded from other municipal revenue sources.

2. Definition of capital costs, subject to regulation

- The proposed change would add the words “subject to the regulations” to section 5 (3) of the D.C.A.
 - The proposed amendment expands the scope of the Province’s authority to limit eligible capital costs via regulation.
 - The D.C.A. currently provides this ability to limit the inclusion of land costs.
 - The Province intends to engage with municipalities and the development community to determine potential restrictions on what costs can be recovered through D.C.s.
- Commentary from organizations in the development community suggests these discussions may continue to focus on limiting the inclusion of land costs in the D.C. calculations. The proposed amendment, however, provides broad authority for limiting eligible capital costs (i.e., the scope of regulatory authority is not restricted to land).
- Reductions in D.C.-eligible capital costs will have to be funded from other municipal revenue sources. Changes to the definition of capital costs through regulation will require municipalities to adjust funding for capital projects swiftly without the legislative amendment process.

3. Simplified D.C. by-law process to reduce charges

- Proposed change to section 19 (1.1) of the D.C.A. to allow a simplified process to amend a D.C. by-law for the following reasons:
 - Repeal or change a D.C. by-law expiry date (consistent with current provisions);
 - Repeal a D.C. by-law provision for indexing or amend to provide for a D.C. not to be indexed; and



- Decrease the amount of a D.C. for one or more types of development.
- The simplified process includes passing of an amending by-law and providing notice of passing of the amending by-law. There will be no requirement to prepare a D.C. background study, undertake public consultation, and no ability to appeal to the Ontario Land Tribunal.
- Limiting the simplified D.C. by-law amendment process to situations where the amount of a D.C. for a type of development is being reduced would appear to allow municipalities to adjust the charges for changes in assumptions (e.g., reductions in capital cost estimates, application of grant funding to reduce the recoverable amount), adding exemptions for types of development, and phasing the imposition of a D.C.
- It is unclear if the simplified process would apply where exemptions are being provided for purposes other than development type, as specified in the amendment. For example, where a municipality is exempting a geographic area, such as an industrial park, downtown core, major transit station area, etc.
- While administratively expedient, eliminating the statutory public process for reductions in D.C.s will not provide the general public with an opportunity to delegate Council on the matter and will reduce transparency.

4. Deferral of D.C. payment to occupancy for residential development

- Proposed changes to section 26.1 of the D.C.A. provide that a D.C. payable for residential development (other than rental housing developments, which are subject to payment in instalments) would be payable upon the earlier of the issuance of an occupancy permit, or the day the building is first occupied.
- Only under circumstances prescribed in the regulations may the municipality require a financial security.
 - The Province has noted its intent to mitigate risk for municipalities. As such, the prescribed circumstances may allow for securities when no occupancy permit is required.
- Municipalities will not be allowed to impose interest on the deferral of D.C. payment to occupancy.
- It appears those municipalities that have elected to utilize subsection 26 (2) of the Act (i.e., water, wastewater, services related to a highway, and stormwater charges payable at the time of subdivision agreement) may no longer be able to utilize this section for residential subdivisions or consents.
- Deferring the timing of payment for all residential development to occupancy will have cashflow implications for municipalities. The impacts may include additional financing costs for capital projects, increased



administrative costs associated with administering securities and occupancies, and potential delays in capital project timing.

5. Removal of interest for legislated instalments

- Proposed changes to section 26.1 of the Act would remove the ability to charge interest on instalments for rental housing and institutional development.
- This would also apply to future instalments for existing deferrals once Bill 17 receives Royal Assent.
- The repeal of subsection 26.1 (9) of the D.C.A. removes the municipality's ability to require immediate payment of all outstanding instalments when a development use changes from rental housing or institutional to another use.
- This proposed amendment has the same cashflow impacts for municipalities as noted in item 4 above, although it is more limited in scope.

6. Ability for residential and institutional development to pay a D.C. earlier than a by-law requires

- Currently, if a person wishes to waive the requirement to pay their D.C. in instalments as per section 26.1, an agreement under section 27 of the D.C.A. (early payment agreement) is required.
- The proposed changes state that, "For greater certainty, a person required to pay a development charge under this section may pay the charge before the day it is payable even in the absence of an agreement under section 27."
- This wording achieves its intent to allow a person to waive the requirement to pay in instalments. It also appears, however, to allow residential and institutional D.C.s to be paid earlier than required in a D.C. by-law, absent municipal agreement.
- This is problematic for municipalities, as the development community may elect to pay D.C.s before indexing or before municipalities pass a new D.C. by-law where a publicly available D.C. background study may be indicating a potential increase in the charges.

7. Lower charge for rate freeze

- Section 26.2 of the D.C.A. requires that, for developments proceeding through a site plan or zoning by-law amendment application, the D.C. be determined based on the rates that were in effect when the planning application was submitted to the municipality.
- In some instances, the D.C. that would be imposed at the time of building permit issuance may be lower than that in place at the time of planning application.



- Where rates have been frozen as per section 26.2 of the D.C.A., the proposed amendments would require municipalities to apply either the “frozen” or the current rate, whichever is lower, in such instances.
 - Note, interest charges for the D.C. determined at planning application may still be imposed.
- These proposed changes are positive as developers would not be charged in excess of current rates (where lower) and developers who proceed in a timely manner are not penalized with additional interest costs.

8. Grouping of services for the purposes of using credits

- Section 38 of the D.C.A. allows a person to construct growth-related works on a municipality’s behalf, subject to an agreement. The person receives a credit against future D.C.s payable for the service(s) to which the growth-related works relate.
- A municipality can agree to allow the credits to be applied to other services in the D.C. by-law.
- The proposed amendments would allow the Province to, through regulation, deem two or more services to be one service for the purpose of applying credits.
- This proposed change appears to remove the municipality’s discretion to combine services by agreement in certain instances.
- Combining services for the purposes of credits would have cashflow implications for municipalities, where funds held in a reserve fund for a service not included under the section 38 agreement would be reduced. This could delay the timing of capital projects for these impacted services and/or increase financing costs.

9. Defining local services in the regulations

- Section 59 of the D.C.A. delineates between charges for local services and, by extension, those that would be considered in a D.C. by-law.
- Municipalities typically establish a local service policy when preparing a D.C. background study to establish which capital works will be funded by the developer as a condition of approval under section 51 or section 53 of the *Planning Act* (i.e., local service) and which will be funded by the D.C. by-law.
- The proposed amendments would allow the Province to make regulations to determine what constitutes a local service.
 - Although the Province has noted that this will be defined through consultations, there may be unintended impacts. For example, if the definition of a local service is too broad, it may lower the D.C. but increase the direct funding requirements on one particular developer. If the definition is too narrow, the opposite would result,



whereby local services would be broadly included in D.C. funding, thereby increasing D.C. rates.

- Additionally, what is deemed a local service in one municipality may vary from what is deemed a local service in another, depending on the size, density, and types of development.

Most of the changes above would come into effect upon Royal Assent of Bill 17. The changes with respect to deferral of payment to occupancy for residential development would come into effect upon the date proclaimed by the Lieutenant Governor in Council.

3. Noted Areas for Future Changes to Development Charges

In the Province's announcement, they indicated additional changes that are anticipated to follow proposed regulatory changes and/or ongoing consultations.

The Province has indicated the intent to add the Statistics Canada Non-Residential Building Construction Price Index for London to the prescribed indexes in the regulations. This would allow municipalities west of London and those that are closer to London than Toronto, to utilize the London series for indexing purposes.

The Province also indicated the intent to consult on a potential standardization of the approaches to benefit to existing deductions. Currently there are best practices to follow, however, there is no standardized approach across all municipalities. Providing a standardized approach may be problematic, as capital projects in different municipalities may be unique in scope and capital cost requirements.

Lastly, the announcement included commentary on expanding the Annual Treasurer's Statement reporting requirements. Currently for services related to a highway, water, and wastewater services, municipalities must allocate 60% of monies in their D.C. reserve funds to projects. The Province may consider expanding this requirement to more services.

4. Proposed Changes to the Growth Management Framework

The Ministry of Municipal Affairs and Housing (MMAH) has been reviewing the Official Plans of Ontario's 50 largest and fastest-growing municipalities against the Ministry of Finance's (M.O.F.) updated population forecasts released in October 2024. Where the Ministry finds that current Official Plan forecasts are lower than updated provincial or upper-tier projections, the MMAH will undertake targeted outreach to affected municipalities. In these cases, municipalities will be required to update their Official Plans to reflect the higher of the M.O.F. projection or the applicable upper-tier forecast.

These updates will be guided by a forthcoming revision to the Projection Methodology Guideline – the first since 1995 – to ensure consistency in how growth is planned across the Province. It is the MMAH's goal that these updated projections and methods



will help municipalities more accurately align land needs, servicing strategies, and capital planning with long-term provincial growth priorities. To support this, the Province is also exploring improvements to planning data systems and digital tools, including standardizing how municipalities track and report land use planning and permitting activity. Enhanced access to consistent, digitized data will help inform future forecasting, monitor implementation, and increase transparency across jurisdictions.

For municipalities directed by the Province to update their Official Plans, this requirement carries several implications. As a starting point, it is important to note that the M.O.F. forecasts are only available at the Census Division level, which typically represents upper-tier municipalities, including separated municipalities and large urban single-tier municipalities. This poses potential complexities for lower-tier municipalities to directly apply, allocate, and coordinate the M.O.F. population projections as part of their respective Official Plan Review. Furthermore, the M.O.F. population projections are released annually and are subject to considerable fluctuation. On the other hand, the municipal Official Plan Review process, which includes a comprehensive assessment of long-term population growth and urban land needs, is required to be carried out at a minimum every 10 years for new Official Plans and five years regarding Official Plan updates. Accordingly, it will be important for municipalities to monitor their respective Official Plans within the context of changing long-term M.O.F. projections. It is currently unclear to what extent Ontario municipalities will be required to update their respective Official Plans and associated background studies, such as needs assessments, servicing plans, and financial strategies, to ensure alignment with the updated M.O.F. projections. It is clear, however, that Ontario municipalities will require improved processes and tools to monitor their Official Plans in a manner that allows decision makers more flexibility to address and respond to anticipated change.

In parallel, the Province is also proposing changes to inclusionary zoning policies, which could influence housing delivery outcomes within protected major transit station areas. Specifically, the Act proposes capping the affordable housing set-aside rate at 5% and limiting the affordability period to 25 years. While these measures may enhance project feasibility and encourage more market-based residential development near transit, they may also constrain the long-term supply and stability of affordable units delivered through inclusionary zoning policies. Municipalities will need to consider how these changes affect their broader housing strategies, particularly in areas where protected major transit station areas are a central tool for delivering mixed-income communities.

5. Concluding Remarks

Based on the proposed changes, municipalities may experience a reduction in overall D.C. revenue. The impacts of some of the potentially more significant changes (i.e., changes to the definition of capital cost, grouping of credits, defining local services, and methodology for benefit to existing will not be known until the release of the draft regulations for consultation. By moving legislative guidance to the regulations, as



opposed to the Act itself, the Province will have the ability to change the rules set out therein without the requirement of passing a Bill through the legislative process. This reduces transparency and the required consultation should the Province wish to change these rules in the future.

We will continue to monitor the proposed changes and will inform you of potential impacts to municipalities. As noted, we will be submitting further comments to the Province via the Environmental Registry of Ontario. Should you have any questions, please contact the undersigned or send an email to info@watsonecon.ca.

Yours very truly,

WATSON & ASSOCIATES ECONOMISTS LTD.

Andrew Grunda, MBA, CPA, CMA, CEO

Peter Simcisko, BA (Hons), MBE, Managing Partner

Sean-Michael Stephen, MBA, Managing Partner

Daryl Abbs, BA (Hons), MBE, PLE, Managing Partner

Jamie Cook, MCIP, RPP, PLE, Managing Partner

Jack Ammendolia, BES, PLE, Managing Partner