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April 4, 2022

Our File No.: 212194

City Council
City of Mississauga
300 City Centre Drive
Mississauga, ON L5B 3C1

Dear Madam Mayor and Members of Council:

Re: City of Mississauga Development Charges and Community Benefits Charge
Impact of Proposed Municipal Charges and Fees for Residential Development

We have been retained by the Building Industry and Land Development Association ("BILD"), together with Altus Group, to provide advice respecting the City's review of its Development Charge ("DC") By-law and Parkland Dedication By-law, and preparation of its first Community Benefits Charge ("CBC") By-law.

We are writing in respect of the City's proposed DC and CBC that are to be considered at a public meeting before Council on April 6, 2022.

We are also commenting on the report that has been prepared for the City by N. Barry Lyon Consultants Limited regarding the potential impact of proposed municipal charges and fees on residential development in the City (the "NBLC Report"), for which staff are providing a written report to the April 6 Council meeting, although it appears no presentation is proposed.

A. CUMULATIVE IMPACT OF MUNICIPAL CHARGES AND FEES ON RESIDENTIAL DEVELOPMENT

As we advised Council in our submissions on the City's proposed Parks Plan and related proposed parkland dedication by-law, BILD is very concerned about the cumulative impact of increases in development-related fees and charges that staff are recommending. The NBLC Report confirms that those concerns are well-founded. In short, the report confirms that the impact of the development-related charges proposed (DC increases, CBCs, and cash in lieu of parkland increases) could result in a net loss in the supply of residential land, with the potential unintended consequence of increasing housing prices due to lack of supply. Unfortunately, it appears that City staff do not take the conclusions of the report seriously.

While the NBLC Report was prepared in February, it was only provided to BILD and other stakeholders on April 1, with the release of the Council Agenda. While we have not had much time to review the NBLC Report, we note the following findings:

- While the individual impact of each of the proposed policies (DC increases, CBCs, and cash in lieu of parkland increases) may not be substantial on its own, the cumulative impact of the proposed fees is very significant.

- This magnitude of impact could become a disincentive to reinvestment, reducing the supply of developable residential land.

- If the trend of construction cost increases continue, the viability of many residential projects will deteriorate. Persistent inflation and rising interest rates may also temper residential pricing, potentially magnifying the challenges posed by the proposed policy changes (DC increases, CBCs, and cash in lieu of parkland increases).

- The cumulative impact of the proposed municipal fees has the potential to dampen development interest in high-density residential development across the City.

- A net loss in the supply of land that could be used for residential development may have the potential consequence of increasing housing prices due to lack of supply.

- Rental housing would be significantly impacted - the proposed policies (DC increases, CBCs, and cash in lieu of parkland increases) would further exacerbate the challenges faced in creating new purpose-built rental housing development.

- The proposed policies (DC increases, CBCs, and cash in lieu of parkland increases) may have the potential to significantly impact the viability of stacked townhome projects (i.e., “missing middle” development).

- The analysis does not take into account the potential impact of inclusionary zoning. Should an Inclusionary Zoning policy be adopted, it could only further exacerbate the feasibility challenges posed to residential development by the proposed fees.

BILD believes that the absence of any consideration of Inclusionary Zoning is a serious gap in the NBLC Report. Inclusionary Zoning is probably the most significant new charge being proposed against development, and its potential impact on the housing market and financial viability of development in Mississauga was assessed by NBLC in a report completed just a few months ago in December 2021.

BILD notes that the NBLC Report suggests that the “risk is generally low” that additional charges will be passed on to homebuyers with existing agreements of purchase and sale, since most projects surveyed cap purchaser liability for development-related charge increases to between $5,000 and $15,000, and these costs could be rolled into a mortgage at closing. If the average cap is $10,000, we would suggest there is a substantial risk to buyers of costs being passed onto them. If $15,000 is rolled into a mortgage, it may result in a total of $25,000-$30,000 in principal and interest costs. NBLC ignores the additional interest costs that would be incurred, which may be increasing over time.

The NBLC Report, which was prepared by the City's own consultants, is clear regarding the very serious impacts the proposed fee increases may have on both housing affordability and supply, and recommends that the City consider approaches to mitigate the significant impacts that these increases in development-related charges may have. ***City staff recommend no additional measures to mitigate the risk of the increased development-related charges, notwithstanding the recommendations of the NBLC Report***.

The only measure proposed by staff is a one-year phase-in of the new cash-in-lieu of parkland maximum capped rate. With respect, this proposed phase-in will do nothing to address the potential long-term impacts on housing affordability and supply predicted by the NBLC Report. We note that staff are not even advancing the measure suggested by NBLC – which is a phase-in period adjusted based on economic conditions, such as interest rates.

BILD requests that Council direct staff to report further on potential mitigation measures to address the potential cumulative impact of the proposed increase in development-related charges.

B. DEVELOPMENT CHARGES

Detailed questions regarding the proposed DCs based on Altus's review of the Development Charge Background Study are set out in the attached memo, dated March 28, 2022. A summary of key concerns identified to date is set out below.

i. General

- The capital programs have a category for "Other Development Related" funding which is intended to cover "development-related costs to be considered for funding from other tools and/or future DC Studies". Some of these costs are in the capital program for the community benefits charge. However, we presume that some of these costs represent post period benefit. The City should be clear in defining what component of services are providing capacity for post period benefit, as they cannot be funded by a community benefits charge.
- Land Values in the level of service inventories seem high.

ii Parks and Recreation

- The allocation of need to growth for the Port Credit Marina Development over the study period (86%) seems too high. A greater portion should be attributed to benefit to existing development.
- The replacement of value of buildings in the historic inventory of over $1,000 per ft^2 appears to be too high.
- The parks and development inventory appears to include land for tableland parkland.
- The inventory used to calculate levels of service may be overstated in some respects.

iii. Transit

- The benefit to existing share of certain facilities appears to be understated.

iv. Roads

- The benefit to existing share of certain infrastructure appears to be understated.
- The capital costs of land may be overstated.
- The capital cost increases for certain projects does not appear to be justified.
- The roads capital program may not provide an adequate allocation to post period benefit.

BILD may have more comments regarding the proposed development charges as information provided by staff in response to questions, and our review continues.

C. COMMUNITY BENEFITS CHARGE

As BILD has advised City staff on several occasions, the CBC Strategy prepared by the City's consultants, Hemson Consulting, is very disappointing in its lack of detail, particularly regarding the capital program to be funded by CBCs.

The *Planning Act* requires that a CBC can only fund: "the capital costs of facilities, services and matters required as a result of development." The CBC Strategy is required to identify the increase in need for facilities, services and matters attributable to development, which will be funded with CBCs. The CBC Strategy prepared by Hemson falls far short of these requirements, setting out generic categories of services or amenities with gross cost numbers, and with no assessment whatsoever of "need" or capacity. We also note the following:

- It appears that some of the capital costs may create capacity that benefit development beyond the study period, which is not permitted by the *Planning Act* and applicable regulations.

- The capital program contains an estimated $120,000,000 for "Affordable Housing Units (Owned)". To our knowledge the City does not own, nor intend to own, any affordable housing units. The staff report suggests the CBC fund could be used to "fund affordable housing programs in the future or accept in-kind contributions." There is no assessment of capital costs of affordable housing facilities or services that are required by new development that the City will incur. There seems to be no basis for the $120,000,000 cost estimate.

- For many items in the capital program, there is no explanation as to how or why they are <u>required</u> because of development. Things like public art, tactical urbanism projects, theatres and culture hubs and other community facilities are not required by development, but are amenities enjoyed equally by the entire community.

- For many items in the capital program there is either no allocation, or an insufficient allocation, to benefit to existing development, as required by the Act. Things like road safety measures, cycling infrastructure, urban parks, and parking, benefit existing development just as much as new development.

BILD submits that the CBC Strategy does not comply with the requirements of the Act, and should not be used as the basis for the approval of a CBC By-law.

Yours truly,

Goodmans LLP

Robert Howe

cc: Paula Tenuta, SVP, Policy & Advocacy, BILD

Altus Group

March 31, 2022

Memorandum to: Shahada Khan
Manager of Development Financing and Reserve Management
City of Mississauga

From: Daryl Keleher, Senior Director
Altus Group Economic Consulting

Subject: Mississauga DC Review
Our File: P-6628

Altus Group Economic Consulting was retained by BILD to review the City of Mississauga's Development Charge Background Study and proposed DC by-law.

General Questions:

1) Can the City confirm that the "Other Development Related" category in draft DC tables would include both "Post Period Benefit" and "CBC" funding amounts. If the costs under these columns are being used as the basis for what is passed through to the City's CBC, and the column includes both Post Period Benefit and "CBC" amounts - these amounts should be differentiated. It would be unfair to impose PPB costs that would be payable by future development through the CBC being imposed on current development. Costs allocated under "Post Period Benefit" are intended to be funded by future DCs, which the Planning Act states should not be funded by CBCs:

   > *For greater certainty, nothing in this Act prevents a community benefits charge from being imposed with respect to land for park or other public recreational purposes or with respect to the services listed in subsection 2 (4) of the* Development Charges Act, 1997*, provided that the capital costs that are intended to be funded by the community benefits charge* ***are not capital costs that are intended to be funded under a development charge by-law*** ***[emphasis added]***

   This change in approach would also be of benefit to the City, as instead of funding items that would eventually be funded through the DC anyway (leaving the City with no net new funding over what it would receive, only that the funding would come sooner), this way the City can maximize their CBC by funding only those things that would receive no DC funding, and let the PPB portion of DC projects be funded by future DCs.

2) The replacement value of fire, library and recreation facility buildings in the LOS inventory appear to be high, when compared to both industry benchmarks and other recent DC studies across the GTA. In the City's 2022 DC Study, recreation centres are valued at $840 or $1,030 per square foot, fire stations are valued at $1,020 per square foot, and library buildings are valued at $820 per square foot.

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By comparison, and as one example, the Altus Group Cost Guide for 2022 estimates that Multi-Use Recreation Centres have a base construction cost ranging from $500 to $820 per square foot, substantially below the assumptions in the City's DC study.

Similarly, when reviewing other GTA municipal DC studies released in the last year, the values used in the City's DC study are often double what other municipalities have valued their buildings at.

Can details for how the City estimated construction costs be provided, including any costing study that may have been undertaken to support these values?

Figure 1 **Comparison of Replacement Values for Existing Buildings, Mississauga and Other Recent GTA DC Background Studies**

		Highest Values in Other Recent DC Studies			
	Mississauga (2022)	Halton Hills (2022)	Vaughan (2022)	Oakville (2021)	Milton (2021)
Type of Facility	*Dollars per Square Foot*				
Library Buildings	820	596	700	487	436
Fire Buildings	1,020	303	615		460
Community Centres	840-1,030	500	500	379	467
Indoor Pools	1,130	500	600	426	410
Other Indoor Facilities	590-840	500	500		
Seniors Centres	840		410	252	
Arenas	610	500	560	310	259

Source: Altus Group Economic Consulting based on City of Mississauga 2022 DC Study and other recent DC studies as indicated

Parks & Recreation:

3) The attribution of cost for Port Credit Marina Development ($77 million gross cost) is 86% to growth and 14% to existing development. However, it is understood that the existing marina will have its lease expire in 2023 and is at the end of its lifecycle, making a substantial portion of the new marina project a replacement of the existing marina. The full extent of this replacement should be acknowledged, and it is likely the replacement element is beyond the 14% BTE currently used. The broader tourism benefits on existing local businesses in the Port Credit area should also be accounted for in determining BTE.

4) What is included in the replacement value for "Tableland"? The LOS tables shows the number of hectares in each category (Woodlots, Community, Destination and Urban Destination), with per hectare values ranging from $83,800 per hectare to $7,484,800 per hectare.

    a. Can it be confirmed that these values do not in any way include land values?

    b. In particular, the value for Urban Destination Tableland ($7,484,800 / ha) resembles a frequently used assumption in the LOS inventory for the value of land throughout most of the City of Mississauga ($8.6 million / ha). What improvements have been done to "Urban Destination Tableland" to merit a replacement value of $7.5 million/ha?

5) The LOS inventory includes over 1,137 hectares of "Hazardlands" that are assigned a replacement value of $68,500 per hectare. What improvements (equating to a total of $77.9 million in

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improvements) have been undertaken to the City's Hazardlands to justify the replacement value used in the DC tables?

6) The LOS inventory includes the Living Arts Centre building (76,631 sf at $840/sf) and land ($42.3 million/ha), which given that it is an arts and cultural facility is ineligible for inclusion in the DC (beyond the LAC Debt component of the DC that the City is almost finished with) including in the LOS inventory.
7) The LOS inventory includes 3.8 hectares of land under "Land for Outdoor Recreation Buildings" for the "Churchill Meadows Outdoor Buildings", which appears to coincide with the "Churchill Meadows Air Supported Structure". Is this facility planned to be used throughout the year as an enclosed structure or only during colder months?
8) The LOS inventory includes building and land replacement costs for the Mississauga Canoe Club and Mississauga Sailing Club. Does the City run these groups, and does the City own or lease the facilities they use (as included in the DC Study)?

Transit

9) The cost of $240 million for "Transit Meadowvale Satellite" facility is allocated to existing development using a 30% BTE share. However, this BTE share differs from the 59% BTE applied to other stations and terminals – what is the basis for the different approach to BTE used for this project?

Public Works

10) The capital project list includes a $77 million line item for a "Future Works Yard (Loreland)" – it is our understanding that the City recently acquired land in this area, potentially for public works as well as land for recreation purposes – does this line item consist of buildings and other site improvements, or is there a land acquisition component included too?

Roads

11) As a general comment, it is noted that of the $9.89 billion in value of the City's roads system, nearly 66% of the value of the City's inventory ($6.5 billion) is made of land value, or "Property ROW".

    Over the 2012-2021 period, the amount of "Property ROW" in the City's inventory has barely changed, increasing from $6.505 billion in 2012 to $6.508 billion in 2021, an increase of just $2.7 million (0.04% increase) in a 10-year span, suggesting that the City is typically not acquiring land for roads projects, but utilizing existing rights-of-way for road widenings or other road improvement projects. Utilizing existing land where possible, rather than expropriating or acquiring land that is not necessary represents good planning, and efficient use of public resources.

    Of the $1.25 billion in DC Recoverable costs included in the DC calculation, does the City have an estimate of how much of these costs (or of the $1.87 billion in total gross costs before deductions) are assumed land acquisition costs?
12) The costs of the Dundas Street BRT project (projects 1.1.11 and 1.1.12, with gross costs of $463 million and $121 million, respectively) and Lakeshore Road BRT project (1.1.13) are included in the Roads DC.

a. Can the nature of the works under this line item be detailed and compared to the costs for the Dundas BRT stations included in the Transit DC (project 1.4.12, $109 million)?
b. The BTE for the Dundas BRT stations is 59% (as per the ridership analysis), but the elements in the Roads DC are given a BTE of just 20%. The BTE calculated for Transit stations should apply equally to the linear transit infrastructure.

13) The cost of Ninth Line (Eglinton to Britannia) project (#1.1.17) increased from $12.7 million (2019 DC Study) to $51.6 million (2022 DC Study) – can details regarding the reasons for the significant cost increase be provided?
14) Can details regarding the BTE allocations be provided for each of the three grade separation projects (projects 1.3.1, 1.3.2 and 1.3.3), including existing and projected exposure index calculations, if available?
15) Can a reason be provided for the significant increase in the cost for Noise Walls, which increased from $61.9 million in the 2019 DC Study to $101 million in the 2022 DC Study? It is noted that the $101 million in capital costs for Noise Walls would be equivalent to 70% of the City's existing inventory of Noise Barriers as shown in the LOS inventory. We would like to understand the quantity and location of noise walls to be acquired using the $101 million in recoveries.
16) Project 1.2.1 is for the extension of Argentia Road from Tenth Line (near Lisgar GO) to Highway 407, with a cost of $30 million. However, the segment of road from Tenth Line to Ninth Line, which constitutes the majority of the road length, is already constructed – do the capital costs reflect this project being substantially completed? What portion of the costs would be associated with the rest of the road segment from Ninth Line to Highway 407?
17) Many of the roads included in the DC Study are those identified in the Downtown 21 Master Plan. The DT21 Plan is based on a build-out potential of 69,095 persons and 71,411 jobs, which would be an increase in population of approximately 35,000 persons and 46,000 jobs from 2009 levels (according to the Master Plan). Do the calculations in the City's 2022 DC Study appropriately account for post-period benefit to the extent that the build-out population expressed in DT21 Plan that the planned road network is designed for, may exceed the amount of growth forecast within the City Centre in the DC Study to 2041?
18) What is the basis for assigning 10% BTE for road widenings of 2-to-4 lanes, and 20% for widenings from 4-to-6 lanes?