

Appendix A

New Homeowner Money in the Government's Bank:

*How Unspent Municipal Reserves are
Impacting Building Livable, Affordable
Communities in the GTA*

Independent Real Estate Intelligence

October 5, 2021



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*How Unspent Municipal Reserves are Impacting
Building Livable, Affordable Communities in the GTA*

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EXECUTIVE SUMMARY

Altus Group Economic Consulting was retained by BILD to review trends in the collection and usage of various government charges in the Greater Toronto Area ("GTA"). The study summarizes how these charges are levied, how the quantum of charges imposed has changed over time, how the charges are utilized year-to-year, and quantifying funds that municipalities have in reserve. The study focuses on a total of 16 GTA municipalities, including a mix of upper-tier, single-tier and lower-tier municipalities.

Upper-/Single-Tier	City of Toronto	York Region	Peel Region	Halton Region	Durham Region	Simcoe County	City of Barrie
Lower-Tier		Vaughan, Markham	Mississauga, Brampton	Oakville, Burlington	Whitby, Oshawa	BWG	

DEVELOPMENT CHARGES

As of Year-End 2019, Nearly \$3.3 Billion was Available in DC Reserve Funds for New Community Infrastructure

Over the 2013-2019 period, the studied municipalities saw their combined development charge (DC) reserve fund balances increase to \$3.25 billion as of 2019, an increase of \$1.35 billion from 2013.

The City of Toronto was responsible for the majority of the increase in DC reserves, as the City's DC reserve fund balance rose by \$839 million over the 2013-2019 period, and as of year-end 2019, the reserve fund had a surplus of \$1.2 billion.

Figure ES- 1

Change in DC Reserve Fund Balances, Studied Municipalities	
2013	\$1.91 billion
2019	\$3.25 billion
Change 2013-2019	+\$1.34 billion (+70%)

The build-up of DC reserve fund balances seen in some GTA municipalities represents community infrastructure paid for by recent developments that has not been built. Based on recent annual average DC expenditures, the combined reserve fund surplus represents several years worth of funded infrastructure spending.

Development Charge Rates Have Increased by an Average of 156% Since 2009

Over the 2009-2021 period, development charges in the Greater Toronto Area have increased significantly by an average of 156% (using the single-detached unit rates) in the studied municipalities, which equates to an annual average increase of 8.5% per year.

The average DC rate for a single-detached unit (SDU) has increased from \$31,500 per unit in 2009 to approximately \$80,600 per SDU in 2021. The highest DC rate charged is in the City of Vaughan, at a rate of \$118,400 per SDU (City and Region of York rates combined).

Similarly, average DC rates for apartment units have increased by approximately 125% since 2009.

Slower than Forecast Housing Growth (Among Other Factors) Caused DC Revenues to Fall Short of Projections

Over the 2013-2019 period, the study municipalities received a combined \$10 billion in DC revenues, and spent \$10.4 billion. However, both the revenues and expenditures are each approximately 62% of forecast revenues/expenditures from municipal DC studies.

Figure ES- 2

	Projected (2013-2019)	Actual (2013-2019)	Actual as % of Projected
DC Revenues	\$16.1 billion	\$10.0 billion	63%
DC Expenditures	\$16.5 billion	\$10.4 billion	62%

The shortfall in DC revenues relative to forecasts is due to numerous factors, but primarily due to housing and non-residential space growth being slower than projected, as all municipalities (except the City of Toronto and Peel

Region) saw significant shortfalls in population and employment growth relative to forecast.

In the aggregate, municipalities appear to have responded to lower than forecast DC revenues by proportionately reducing DC expenditures. However, some municipalities have disproportionately delayed expenditures relative to the shortfall in DC revenues.

For example, while the City of Vaughan's DC revenues were 85% of projections, the City's expenditures were only 29% of expenditure plans as set out in DC background studies. Other municipalities spending disproportionately less include Whitby, Toronto and Oshawa.

Figure ES- 3

Comparison of Projected and Actual DC Revenues and Expenditures, 2013-2019

Sorted by Difference in DC Expenditures & DC Revenues (as % of Respective Projections)

Projections,

Municipality	Actuals as % of Projections		Difference <i>Pct Pts</i>
	DC Revenues	DC Expenditures	
	<i>Percent</i>		
Peel Region	59%	98%	40
York Region	61%	85%	24
Markham	49%	60%	11
Bradford West Gw illimbury	98%	108%	10
Barrie	84%	90%	6
Burlington	67%	68%	1
Halton Region	70%	69%	(1)
Brampton	61%	55%	(6)
Mississauga	65%	56%	(8)
Durham Region	37%	26%	(11)
Oakville	77%	57%	(21)
Simcoe County	78%	56%	(22)
Oshaw a	69%	43%	(25)
Toronto	77%	41%	(36)
Whitby	51%	14%	(37)
Vaughan	85%	29%	(56)

Source: Altus Group Economic Consulting

Other municipalities, particularly those responsible for major water and wastewater infrastructure investments that are required to be installed prior to growth occurring, such as York Region and Peel Region, continued to spend DC funds as planned, despite seeing shortfalls in DC revenues relative to forecast.

PARKLAND CASH-IN-LIEU

Municipalities acquire parkland and other forms of open space through parkland dedication requirements imposed on new developments.

Alternatively, a landowner can provide funds in lieu of parkland dedication to a municipality where physical land dedication is not possible to incorporate into the development, known as ‘cash-in-lieu’ of parkland, or “Parkland CIL”, at a rate not to exceed 1 hectare per 500 dwelling units. Despite the statutory allowance, some municipalities choose to apply fixed per unit rates for parkland, a capped percentage of land area, or a combination thereof, so as to not discourage high-density development.

Based on Parkland CIL revenues and expenditures over the 2015-2019 period, there is a significant mismatch between Parkland CIL revenues and expenditures from reserves, with the municipalities studied receiving a total of \$193 million per year in Parkland CIL revenues but spending only \$108 million per year (or 56% of revenues). Only one municipality studied (Town of Oakville) spent more than 85% of revenues generated.

Figure ES- 4

Change in Parkland CIL Reserve Fund Balances, Studied Municipalities	
2013	\$375 million
2019	\$1.48 billion
Change 2013-2019	+\$1.1 billion (+294%)

The imbalance between Parkland CIL revenues and expenditures has caused Parkland CIL reserve fund balances to increase by nearly 300% over the 2009-2019 period, from \$375 million in 2009 to \$1.48 billion in 2019. Every municipality studied has seen increases of 60% or more to their reserve fund balances since 2009. The City of Toronto has the largest parkland CIL reserve fund balance, at \$1.03 billion as of 2019, up 372% or \$815 million from 2009. Numerous municipalities have also seen Parkland CIL reserve fund increases of more than 300% since 2009, including Toronto (+372%), Whitby (+331%), Brampton (+488%), Markham (+441%) and Barrie (+644%).

A key concern with increasing Parkland CIL reserve funds is that the unused money in Parkland CIL reserves, based on likely rates of interest/investment earnings, are unlikely to keep pace with increases in land values, which can diminish the purchasing power of the funds kept in reserve.

To make better use of the Parkland CIL funds generated from new development, municipalities should seek opportunities wherever possible to acquire parklands as early in the planning process as possible (whether in greenfield environments or emerging high-density/urban areas), as it provides an opportunity to save substantial funds by avoiding future appreciation of land prices and avoiding competing in the market while trying to acquire new lands. This approach, based on our review of two recent cases in the GTA, can result in substantial cost savings for municipalities and ensure that community amenities are in place when development of an area is underway.

SECTION 37 DENSITY BONUSING

The former Section 37 of the *Planning Act* (to no longer be in effect as of September 2022) allows for increases in permitted height and/or density through the zoning by-law in return for ‘community benefits’.

Section 37 contributions were meant to help municipalities provide community infrastructure required by the people being accommodated in a development over and above the permitted as-of-right zoning. While Section 37 provisions are used in some ‘905’ municipalities, it has been most frequently utilized in the City of Toronto.

Over the 2017-2019 period, the City of Toronto received roughly \$61 million per year in cash contributions, or \$184 million over the three-year period. Of the \$184 million in Section 37 cash contributions received, roughly half was earmarked for specific improvements such as affordable housing, parkland improvements, streetscape improvements, public agency space, public art, library improvements, child care facilities, etc.

At the end of 2019, the City had a surplus of approximately \$303 million in its Section 37 reserve fund, with over 70% of this balance attributed to four Wards within Downtown Toronto.

Figure ES- 5

Total Amount of Section 37 Density Bonus Reserves, Studied Municipalities	
2019	\$311 million

COMBINED CAPITAL RESERVES

In total, the studied municipalities have a combined \$5.05 billion in their development charge, Parkland CIL and Section 37 Density Bonus reserves. This represents a substantial backlog in growth-related infrastructure paid for by recent housing developments, and also represents an opportunity for infrastructure funding that can help to make existing and new communities more attractive to residents and businesses, and provide improved amenities such as parkland, recreation space, libraries to communities, and provide the hard infrastructure such as roads, water, and sanitary infrastructure that can provide additional capacity for new development.

Figure ES- 6

Current Combined Balances in Reserve Funds, Municipal Charges on New Development (as of year-end 2019)	
Development Charges	\$3.26 billion
Parkland CIL	\$1.48 billion
Section 37 Density Bonusing	\$311 million
Total	\$5.05 billion

The \$5.05 billion in reserves presents an opportunity for the Greater Toronto Area to stimulate the economy with stimulus funding that is presumed to be ready and available to be spent and generate economic activity and employment opportunities.

OTHER FISCAL CONSIDERATIONS

Residential Property Taxes per Household Have Only Increased by 1%-19%, After Inflation Since 2009

The property taxes per household increased for selected municipalities¹ in the range of 22% to 43% over the timeframe, which equates to an average annual

¹ The property taxes paid to upper-tier municipalities, where applicable, are embedded within the estimated property taxes per household in each lower-tier municipality.

increase of 1.80% per year to 3.28% per year. After accounting for inflation, the property tax revenues municipalities received in 2019 were little changed from what they were in 2009, with the increases to property tax revenues per household ranging from 1% to 19%.

Increases to User Fees and Service Charge Revenues Have Outpaced Increases to Property Tax Revenues in Most Municipalities

Meanwhile, user fees and service charges have increased between 10% and 78% in the studied municipalities, with the rate of change higher for user fees/services charges than for property taxes.

Debt Guideline

The Province limits a municipality's annual debt charges to 25% of net revenues (with exceptions made for York Region) – as of 2019, no municipality had debt charges above 11% of net revenues suggesting that municipalities generally have limited borrowing and have significant room to borrow funds for capital infrastructure projects even if immediate funding sources weren't available. The average debt charges as a share of net revenues in the studied municipalities was 4.6%, less than one-fifth the Provincial limit, and only moderately higher than in 2009 (4.0%).

Municipal Land Transfer Tax

The City of Toronto is the only municipality in Ontario with the authority to levy a municipal land transfer tax (MLTT), which is imposed on all real estate transactions, including the purchase of new homes and resale homes.

Over the 2009-2019 period, the City has raised \$5.45 billion in MLTT revenues, or an average of approximately \$495 million per year, with the City receiving more than \$700 million in each of 2017, 2018 and 2019. While there is potential for year-to-year volatility of MLTT revenues, the experience thus far has been that it is a reliable, steadily increasing source of funding.

The majority of funds generated go towards operating costs and tax stabilization reserves. As of 2020, the City directed just 5% of MLTT revenues to the City's capital financing reserves, but the City is exploring opportunities to direct larger portions towards the City's capital program.

The City's \$799 million in MLTT revenues in 2019 represents approximately 6.2% of all municipal operating expenditures, and the revenues (if used

entirely to fund operating costs) would be enough to fund the entirety of operating costs associated with the City's Fire Services (\$567 million) and Library Services (\$226 million) combined.

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1 INTRODUCTION

1.1 BACKGROUND

Altus Group Economic Consulting was retained by BILD to review trends in the collection and usage of various government charges in the Greater Toronto Area (“GTA”), including charges related to the development of new housing, such as development charges (“DCs”), parkland dedication or cash-in-lieu (“CIL”), and Section 37 density bonusing, as well as broader on-going charges, such as property taxes, user fees and service charges. The study summarizes how these charges are levied, how the quantum of charges imposed has changed over time, and how the charges are utilized year-to-year.

1.2 STUDY MUNICIPALITIES

In total, the study focuses on a total of 16 municipalities, including the City of Toronto, the four GTA regional municipalities (Peel, York, Halton and Durham), Simcoe County and the City of Barrie, as well as nine (9) lower-tier municipalities.

Figure 1

Upper-Tier / Single-Tier Municipalities	Lower-Tier Municipalities
City of Toronto	n.a.
York Region	Vaughan, Markham
Halton Region	Oakville, Burlington
Peel Region	Mississauga, Brampton
Durham Region	Whitby, Oshawa
City of Barrie	n.a.
Simcoe County	Bradford West Gwillimbury

1.3 TRENDS IN POPULATION AND EMPLOYMENT GROWTH

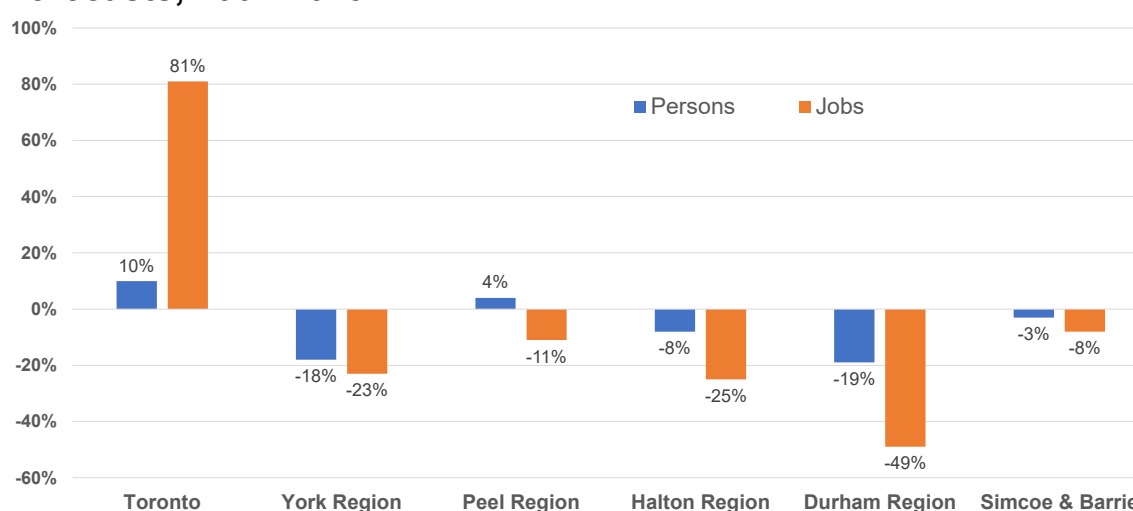
An important element in the analysis, particularly in the area of development charges is assessing how municipalities have grown compared to forecasted population and employment from Schedule 3 of the Growth Plan for the

Greater Golden Horseshoe. Municipal studies underpinning municipal fees and charges incorporate forecasted population, housing and employment from their respective Official Plans, which are to be based on forecasts of the same from the Growth Plan.

In many cases, when comparing projected revenues to actual revenues, any shortfalls can be primarily explained by a relative lack of growth compared to forecasts in most municipalities.

Figure 3

Surplus / Shortfall in Persons & Jobs Relative to Growth Plan Forecasts, 2001-2019



Source: Altus Group Economic Consulting, based on Hemson Consulting GGH: Growth Forecasts to 2051, Growth Plan for the Greater Golden Horseshoe Schedule 3, Statistics Canada Annual Demographic Estimates

Other than in the City of Toronto which saw employment growth from 2001 to 2019 that was 81% greater than forecast², all of the other upper-tier/single-tier municipalities in the GTA saw significant shortfalls of job growth relative to forecasted employment in the Growth Plan, ranging from 8% less than forecast in Simcoe/Barrie combined to 49% less than forecast in Durham Region.

Population growth in all municipalities other than the City of Toronto (+10% greater than forecast) and Peel Region (+4% greater than forecast) also saw shortfalls relative to forecasts, ranging from 3% less than forecast in Simcoe/Barrie to 19% less than forecast in Durham Region.

² The City was forecast to add 160,000 net new jobs by 2019, but added 289,000 net new jobs, or 81% higher than forecast.

The implications of a shortfall in population and/or employment growth on municipal finances is discussed in some detail later in this report.

1.4 CAVEAT

The information presented in this report is based on interpretation of various municipal policies, by-laws, rate schedules, etc. While every effort has been made to interpret these materials accurately, there can be no certainty that municipal stakeholders will apply their policies and rates in the same manner as presumed within the analysis contained in this report.

The data presented in this report is based on the latest data available as of the writing of the report. However, given the variety of types of data used, the most recent iteration of data may vary from one chart, table, or figure to the next. For example, as of the time of writing of this report, the Financial Information Return (FIR) data municipalities submit to the Ministry of Municipal Affairs was current as of 2019.³ Additionally, when looking at how data has changed over time, where possible historic data is provided going back to 2009, but in certain instances, elements of current FIR reporting only became available more recently, and so in some cases the historic data shown does not extend back to 2009.

In some cases, there are municipalities with data available for the 2020 fiscal year. While the report focuses on the 2019 year given that is the year for which all municipalities have all data reviewed available, some of the updated data for 2020 is presented in Appendix A to this report.

³ Some municipalities have a 2020 FIR available, but not all municipalities did as of the time of writing this report.

2 ANALYSIS OF DEVELOPMENT CHARGE REVENUES AND EXPENDITURES

This section of the report reviews the quantity of DC revenues and expenditures from each municipality's DC reserve fund, as well as the year-to-year balances in those reserve funds.

The actual DC revenues and expenditures are compared to projected amounts from the various municipal DC studies to understand whether there have been DC revenue shortfalls relative to forecast, with an overview of the causes of shortfalls (beyond the shortfalls in population and employment growth in most GTA municipalities), and whether similar shortfalls are evident in DC expenditures relative to forecasts.

This analysis can help readers understand whether anticipated revenue shortfalls are being met with disproportionate delaying or postponing of expenditures. Delaying capital expenditures and/or capital projects can have implications for the availability of infrastructure and servicing necessary to proceed with new housing development.

2.1 OVERVIEW OF DEVELOPMENT CHARGES

2.1.1 Municipal Development Charges

The *Development Charges Act* ("DC Act") grants authority to municipalities to enact a development charges ("DCs") by-law that imposes a charge against land to be developed where the development will increase the need for municipal services.

Municipal DCs collect funds for services deemed as being eligible in the DC Act such as Parks & Recreation, Libraries, Fire Services, Police Services, Water, Sewer, Roads, Transit, etc. Where there is both an upper-tier and lower-tier municipality, the services included in each respective municipality's DC by-law are based on which tier is the provider of each service.

Each of the lower-tier/single-tier municipalities reviewed in this report imposes DCs for a variety of services. Recent changes to the DC Act, via Bill 108 (More Homes, More Choice Act, 2019) and Bill 197 (COVID-19 Economic Recovery Act), expanded the list of services for which development charges

can be imposed. Bill 197 also removed the 10% statutory deduction for certain soft services that had previously been required under the *DC Act*.

2.1.2 Area-Specific Development Charges

Several of the municipalities reviewed in this report impose area-specific development charges (“ASDC”), which can result in varying DC rates depending on where a development is located within a jurisdiction:

- **Halton Region** – Halton Region imposes a higher DC rate for homes built in the greenfield area than those built within the Region’s built boundary;
- **City of Barrie** – The City of Barrie imposes different DC rates for the parts of the City within the former City boundaries, and the Salem and Hewitt’s Secondary Plan areas;
- **Town of Bradford West Gwillimbury** - The Town imposes different DC rates for the Bradford settlement area and the Bond Head settlement area. The rates displayed in the following section are based on the in-force rates in the Bradford settlement area; and
- **City of Markham** – The City of Markham imposes additional area-specific DC rates for homes built in certain areas within the City and levies them on a per hectare basis.

2.2 TRENDS IN DEVELOPMENT CHARGE RATES

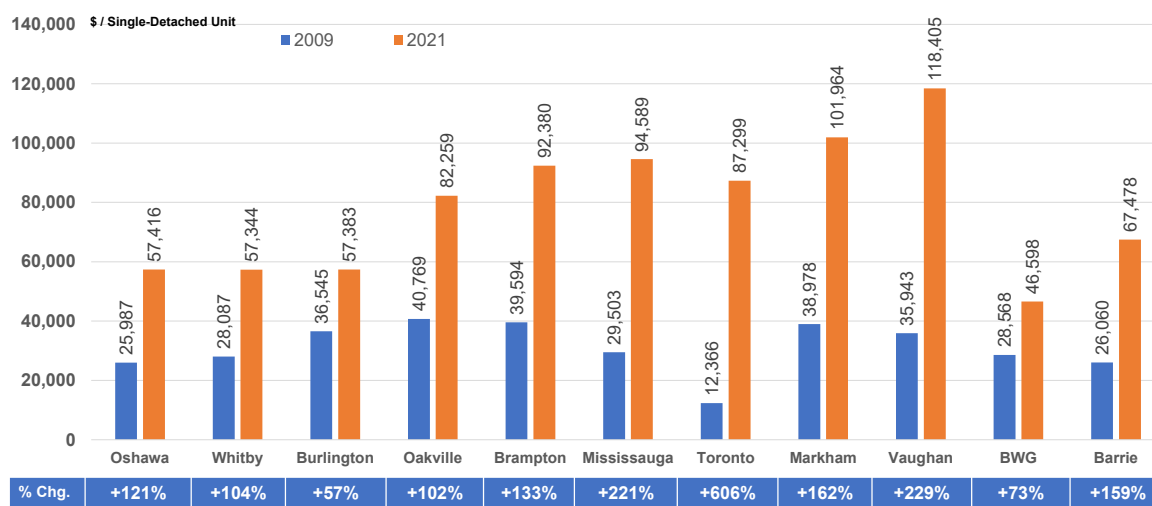
Over the 2009-2021 period, development charges in the Greater Toronto Area have increased significantly by an average of 152% for single-detached units (“SDU”) in the studied municipalities, which equates to an annual average increase of 8.0% per year.

The average DC rate has increased from \$31,500 per SDU in 2009 to \$79,400 per SDU in 2021. The highest combined DC for a single-detached unit is in the City of Vaughan at over \$118,400.

The highest DC rate increase seen since 2009 has been in the City of Toronto, where the DC rate for single-detached units increased by 606%, from \$12,366 per SDU in 2009 to \$87,300 per SDU in 2021. The DC rates increased by more than double in nine of the 11 municipalities studied (when combined with the applicable upper-tier DC rates)

Figure 4

Change in Development Charge Rates, GTA Municipalities, 2009-2021



Source: Altus Group Economic Consulting

Similar increases have been seen for other unit types – for example, average DC rates for apartment units have increased by approximately 125% since 2009.

2.2.1 What Municipal Services Do Development Charges Fund?

The DC Act, under section 2(4) allows for municipalities to levy a DC by-law for numerous services – this list of permitted services was expanded through Bill 197, however, this list largely formalizes the services that municipalities had already been collecting DCs for.

Former iterations of the DC Act were based on an ‘ineligible’ list that could not be included in a DC by-law (that included tourism facilities, landfills, cultural/entertainment facilities), with little other prescription for what could be included, so long as it was not a specified ineligible service.

Currently, the only services being recovered for in the municipalities studied in this report that are not explicitly set out as eligible services in section 2(4) of the DC Act are municipal parking services (currently charged for in Oshawa, Whitby, Oakville, Mississauga, Toronto, and Barrie), and airports (currently charged for in Barrie). These services will no longer be eligible to be collected through DC by-laws after September 18, 2022.

Figure 5 Development Charge Service Breakdown

Service	DC Act	Durham Region		Halton Region		Peel Region		Toronto	York Region		Simcoe County	Barrie
		Oshawa	Whitby	Burling.	Oakville	Bram.	Miss.		Markham	Vaughan	BWG	
Water Supply / Distribution	X	X	X	X	X	X	X	X	X	X	X	X
Wastewater Treatment / Sewers	X	X	X	X	X	X	X	X	X	X	X	X
Storm Drainage and Control	X	X	X	X			X	X	X	X		
Roads & Related (incl. Public Works)	X	X	X	X	X	X	X	X	X	X	X	X
Electrical Power Services	X											
Transit	X	X	X	X	X	X	X	X	X	X	X	X
Waste Diversion	X	X	X						X		X	
Police Services	X	X	X			X	X	X			X	X
Fire Services	X	X	X	X	X	X	X	X	X	X	X	
Ambulance / Paramedic	X	X	X			X	X	X			X	X
Libraries	X	X	X	X	X	X	X	X	X	X	X	X
Long Term Care	X	X	X			X	X				X	
Parks and Recreation	X	X	X	X	X	X	X	X	X	X	X	X
Public Health	X	X	X					X				
Child Care	X							X				
Housing Services	X	X	X			X	X	X			X	X
Provincial Offences Act	X											
Emergency Preparedness	X											
Parking		X	X		X		X		X			X
Airport												X

only permitted in
Waterloo Region

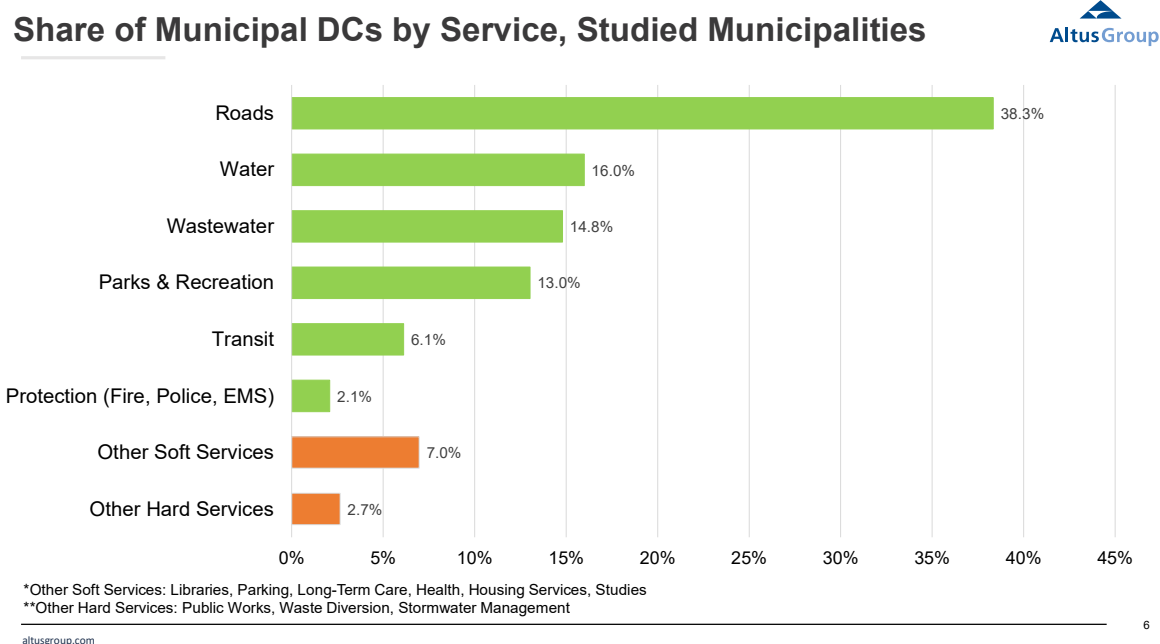
Source: Altus Group Economic Consulting based on Development Charges Act, various municipal DC by-law s

The services with the most significant charges are hard services (e.g. roads, water, wastewater, transit), however, the combined parks and indoor recreation services also represents a significant share of total DC rates in the studied municipalities. These five categories comprise approximately 90% of DC rates.

- The costliest service is Roads (and related services), which on average make up over 38% of municipal DC rates;
- Second largest is Water services, which makes up 16% of DC rates, and includes costs relating to both water supply and water distribution;

- Third largest is Wastewater services, which includes costs relating to wastewater treatment plants and wastewater collection networks, comprising nearly 15% of DC rates;
- Fourth largest is Parks and Indoor Recreation, which when combined make up 13% of DC rates. Often, Parks Development and Indoor Recreation are treated as separate services in DC by-laws, but for the purpose of this analysis they have been combined to allow for comparison between municipalities;
- Fifth largest is Transit, which on average comprises 6% of DC rates. Because of changes made to the *DC Act* in 2016, municipalities are now permitted to recover a greater proportion of transit capital costs than before by being able to recover costs above historic service levels. Transit DCs tend to vary significantly from one municipality to the next as some municipalities rely on DCs to fund expansions of systems incorporating multiple modes of service (subway, streetcar, LRT, bus), while other municipalities have relatively simple transit systems.

Figure 6



Many municipalities do not collect DCs for costs related to 'local' services, such as local roads (e.g. roads within the interior of a subdivision), local water or sewer mains (below a certain defined size threshold), local

neighbourhood parkland development, which would instead be funded directly by developers. The definition of ‘local’ work should be specified through a municipality’s local service policies/guidelines, typically published within a municipality’s DC background study.

The table below shows the range of DC rates for the five most significant DC services among the municipalities studied, as expressed per single-detached unit (or “per SDU”).

The highest DC rates for hard services such as roads, water and wastewater are in Peel Region and York Region, respectively. The combined Roads DC applicable within the City of Vaughan, which includes City and Region charges, amounts to \$58,380 per SDU. The most significant Parks & Recreation charges are \$16,770 per SDU in the City of Mississauga, while the highest DC for transit services is imposed by the City of Toronto, at \$33,200 per SDU.

Figure 7

Highest DC Rates for Hard Service DCs, Studied Municipalities

Service	Average DC Rate \$/SDU	Maximum DC Rate Imposed by Service	
		Rate \$/SDU	Municipality
Roads	31,136	58,380	Vaughan / York Region
Water	12,986	28,627	Peel Region
Wastewater	12,029	21,078	York Region
Parks & Recreation	10,575	16,769	Mississauga
Transit	4,967	33,206	Toronto

Source: Altus Group Economic Consulting based on municipal DC by-laws and pamphlets

2.3 DEVELOPMENT CHARGE REVENUES AND EXPENDITURES

Figure 8 shows actual DC revenues and expenditures, as reported in the annual Financial Information Returns (“FIRs”) that municipalities are required to submit yearly to the Ministry of Municipal Affairs and Housing.

In the aggregate, the studied municipalities spent an amount roughly proportionate to the DC revenues generated. Over the 2013-2019 period, the municipalities studied received an average of \$1.49 billion per year in

revenues and spent an average of \$1.43 billion per year from DC reserves, or 96% of annual revenues.

However, when the data is viewed by individual municipalities, there were several municipalities where annual expenditures exceeded revenues. In many of these cases (Peel Region, Barrie, York Region, Halton Region), it is those municipalities that are responsible for water supply and wastewater treatment infrastructure, which often have large up-front costs requiring debt financing to fund, with future DC revenues paying for annual debt charges.

Figure 8

Actual DC Revenues and Expenditures, 2013-2019, Annual Averages
Sorted by Expenditures as % of Revenues

Municipality	Annual Averages - 2013-2019		Expenditures as % of Revenues
	DC Revenues	DC Expenditures	
	<i>Dollars</i>		<i>Percent</i>
Markham	34,998,970	56,228,258	161%
Peel Region	261,080,168	364,673,957	140%
Barrie	24,004,526	30,781,073	128%
York Region	280,874,223	314,057,483	112%
Halton Region	173,170,535	187,452,469	108%
Burlington	4,642,225	4,762,388	103%
Bradford West Gwillimbury	15,924,985	15,604,687	98%
Simcoe County	19,971,562	19,114,183	96%
Brampton	89,950,810	84,013,467	93%
Oshawa	8,839,253	7,384,629	84%
Mississauga	34,451,182	25,587,257	74%
Oakville	30,390,428	20,652,655	68%
Toronto	340,337,391	217,009,920	64%
Durham Region	96,299,871	53,978,984	56%
Whitby	9,522,965	4,596,546	48%
Vaughan	65,382,988	23,807,129	36%
Total	1,489,842,082	1,429,705,085	96%

Note: Annual revenues include interest earnings/costs. Amounts also include debt proceeds and charges

Source: Altus Group Economic Consulting based on annual Financial Information Returns

In many other municipalities, DC expenditures made per year fell significantly short of DC revenues generated per year. For example, the City of Toronto received \$340 million in DC revenues per year over the 2013-2019 period but spent only \$217 million (or just 64% of annual revenues). There may be reasons for this disparity in some municipalities, including project delays and/or cancellations, or possibly 'saving' of funds for large expenditures in the future, rather than relying on debenture financing.

2.4 COMPARISON OF ACTUALS VS. PROJECTED

2.4.1 DC Revenues

Figure 9 shows how the projected DC revenues (from municipal DC studies) compare with actual DC revenues received over the 2013-2019 period. While the DC studies in the studied municipalities projected \$16.4 billion in DC revenues (or \$2.35 billion per year), municipalities received \$10.4 billion (or \$1.49 billion per year), equating to a shortfall in anticipated funding of approximately \$6.03 billion over the 2013-2019 period. Of the 16 municipalities studied, just one saw DC revenues exceed 90% of projections (Bradford West Gwillimbury).

Figure 9

Comparison of Projected and Actual DC Revenues, 2013-2019
Sorted by Actual as % of Projected

Municipality	Projected Revenues	Actual Revenues	Actual as % of Projected
	<i>Dollars</i>		<i>Percent</i>
Bradford West Gwillimbury	113,490,645	111,474,894	98%
Vaughan	540,191,500	457,680,918	85%
Barrie	199,811,567	168,031,679	84%
Simcoe County	179,351,000	139,800,933	78%
Oakville	275,411,114	212,732,998	77%
Toronto	3,100,627,271	2,382,361,736	77%
Halton Region	1,720,740,170	1,212,193,742	70%
Oshawa	90,221,565	61,874,770	69%
Burlington	48,286,641	32,495,575	67%
Mississauga	373,253,000	241,158,275	65%
Brampton	1,027,331,289	629,655,671	61%
York Region	3,235,446,369	1,966,119,560	61%
Peel Region	3,117,383,154	1,827,561,179	59%
Whitby	130,635,336	66,660,757	51%
Markham	502,356,550	244,992,793	49%
Durham Region	1,802,492,887	674,099,094	37%
Total	16,457,030,058	10,428,894,574	63%

Source: Altus Group Economic Consulting

2.4.1.1 Causes for DC Revenue Shortfalls

There are numerous causes for the shortfall in actual DC revenues relative to projections, including the following:

- Underperformance of residential development relative to forecasts in municipal plans (this was the case in all studied municipalities except the City of Toronto and Peel Region);

- Significant shortfalls in non-residential development relative to forecasts in municipal plans (in all municipalities except City of Toronto);
- Intensified use of existing structures that brings net new population or job growth without a corresponding increase to DC revenues, such as:
 - Increases to household sizes,
 - Increased work from home employment
 - Existing office space usage being made more efficient to accommodate more jobs, rather than seeing a corresponding increase in office construction;
- Statutory exemptions, discounts or rebates as set out in the DC Act, for certain institutional uses like elementary schools, hospitals, places of worship, etc., for the enlargement of existing industrial building (50% or less), exemptions/discounts for office space, secondary dwelling units, etc.;
- Non-Statutory exemptions that include discounts, rebates, or exemptions provided to incentivize certain types of development.

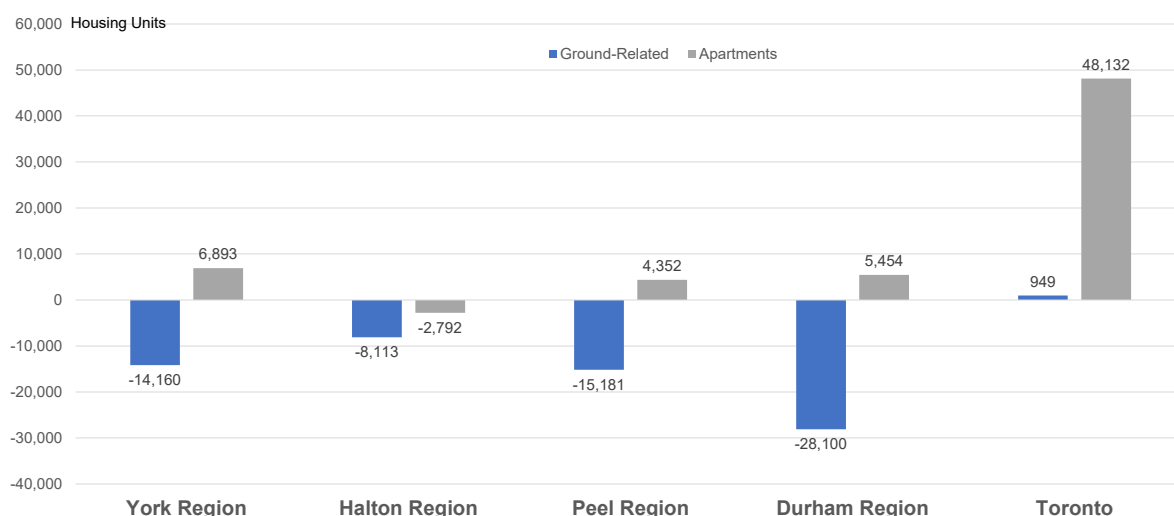
The DC Act does not allow for the cost of any exemptions, discounts or rebates to be made up through higher DC rates for other non-exempt forms of development. Instead, DC reserve funds are meant to be made 'whole' by non-DC sources of funding provided to ensure that future development does not indirectly fund the cost of exemptions.

The graph below shows how the actual number of housing starts in the four regions and the City of Toronto have compared to the amount of housing units forecast in DC studies from the 2008-2010 period. Each of the four regions saw a significant shortfall in ground-related housing units relative to forecast, ranging from a 8,110-unit shortfall in Halton Region, to a 28,100-unit shortfall in Durham Region.

As the forecasted housing units by type are used to forecast DC revenues, any housing supply shortages caused by lengthy municipal processes, planning application related appeals, servicing issues, can have direct impacts on a municipality's ability to meet DC revenue forecasts.

While there was a shortfall in ground-related housing units relative to forecast, the shortfall in ground-related housing units was not offset by significant surpluses in apartment units to bring overall municipal DC revenues back to forecast.

Figure 10 Difference in Housing Starts vs. DC Study Forecasts, 2013-2020, GTA Regions and City of Toronto



Source: CMHC Data, Various Municipal DC Background Studies

Details regarding how single-tier and upper-tier municipalities have grown compared to forecasts from the Growth Plan are provided in Appendix B to this report, providing context behind development-shortfalls contributing to DC revenue shortfalls relative to forecast.

Peel Region has studied the sources of their DC revenue shortfalls and found that compared to the Region's 2015 DC Study, the residential DC revenues were 83% of forecast, while non-residential DC revenues were just 60% of forecast.⁴

The Region attributes the reasons for the shortfalls in each sector:

Residential DC revenue shortfall is attributed to lower than forecasted construction of single and semi-detached housing

Non-residential DC revenue shortfall [is] in part due to lower than forecasted activities in office developments and partially due to the changing nature of employment.

⁴ Peel Region, Peel's Growth Management Program & Development Charge Performance – 2019

The Region's report notes that continued shortfalls "increases the Region's debt risk" and "may result in additional pressure on future tax and rate funding sources."

2.4.2 DC Expenditures

Figure 11 shows how the projected DC expenditures in municipal DC studies compares with actual DC expenditures made over the 2013-2019 period. While the DC studies projected \$16.1 billion in DC expenditures (or \$2.30 billion per year), municipalities spent only \$10.0 billion (or \$1.43 billion per year), which equates to only 62% of projections, or approximately \$6.1 billion short of projections.

Only four municipalities spent more than 70% of the amount projected in their DC studies, including Peel Region, York Region and the City of Barrie, all of whom are responsible for water and wastewater services in their respective jurisdictions.

Several municipalities spent less than half of their projected DC expenditures, including Oshawa (43% of projections), Toronto (41%), Vaughan (29%), Durham Region (26%), and Whitby (14%).

Figure 11

Comparison of Projected and Actual DC Expenditures, 2013-2019 Sorted by Actual as % of Projected

Municipality	Projected Expenditures	Actual Expenditures	Actual as % of Projected
	<i>Dollars</i>		<i>Percent</i>
Bradford West Gwillimbury	101,344,385	109,232,809	108%
Peel Region	2,591,948,329	2,552,717,700	98%
Barrie	238,512,179	215,467,509	90%
York Region	2,597,420,635	2,198,402,379	85%
Halton Region	1,901,791,426	1,312,167,283	69%
Burlington	48,899,472	33,336,717	68%
Markham	656,991,065	393,597,808	60%
Oakville	255,180,743	144,568,586	57%
Mississauga	318,867,700	179,110,799	56%
Simcoe County	240,768,490	133,799,283	56%
Brampton	1,072,502,100	588,094,266	55%
Oshawa	119,169,404	51,692,405	43%
Toronto	3,711,723,047	1,519,069,437	41%
Vaughan	573,985,915	166,649,906	29%
Durham Region	1,435,963,773	377,852,890	26%
Whitby	234,176,536	32,175,819	14%
Total	16,099,245,199	10,007,935,596	62%

Source: Altus Group Economic Consulting

2.5 DC SPENDING AS PROPORTION OF RESERVE FUND BALANCE

The forthcoming Community Benefits Charge system will require municipalities “spend or allocate” 60% of funds that are in the CBC reserve fund at the start of the year. There is no such requirement in the *Development Charges Act* or associated regulations.

Based on a review of what proportion of DC reserve fund balances are spent using typical DC expenditures and 2019 DC reserve fund balances, the average DC expenditures represent approximately 47% of DC reserve fund balances, though this metric can vary significantly from one municipality to the next, particularly those without large DC reserve fund balances (Simcoe County, Barrie, Peel Region).

Figure 12

DC Expenditures (Last Three Years) as % of 2019 DC Reserve Fund Balance			
Municipality	Average Annual Expenditures (2017-2019)	DC Reserve Fund Balance (2019)	Spending as % of DC RF Balance
		<i>Dollars</i>	
Toronto	313,776,365	1,223,314,054	26%
Peel Region	333,895,562	(122,578,797)	n.a.
Mississauga	37,261,018	182,734,591	20%
Brampton	59,762,299	160,568,259	37%
Halton Region	187,559,503	57,215,950	>100%
Oakville	21,811,092	80,472,790	27%
Burlington	3,717,353	28,605,758	13%
Durham Region	68,533,265	695,922,041	10%
Whitby	6,312,304	109,036,901	6%
Oshawa	7,879,477	56,521,549	14%
York Region	350,330,258	269,957,121	>100%
Markham	31,354,296	38,412,156	82%
Vaughan	33,305,154	482,519,449	7%
Simcoe County	21,313,340	1,597,622	>100%
Bradford West Gwillimbury	16,018,899	2,485,360	>100%
Barrie	41,076,215	(12,626,352)	n.a.
Total	1,533,906,401	3,254,158,452	47%
Note: Source for Peel Region DC RF balances are annual DC Reserve Fund Statements, as FIRs for Peel Region do not provide necessary information			
Source: Altus Group Economic Consulting based on annual Financial Information Returns			

Some municipalities spend significantly more than 100% (Halton Region, York Region, Simcoe County, BWG), while others that have a DC reserve fund deficit continue to spend DC funds (Peel Region, Barrie).

Others with significant DC reserve fund surpluses, such as Brampton (37%), Oakville (27%), Toronto (26%), Mississauga (20%), Oshawa (14%), Vaughan (7%) Whitby (6%) spend relatively small amounts relative to balances in their DC reserve fund amounts.

2.6 EXAMPLES OF DELAYED PROJECTS

There are numerous reasons why DC expenditures may be less than projected in DC studies, including:

- Capital projects frequently are delayed, cancelled, or modified;
- Political priorities or desires for certain projects can change over time,
- Municipalities can be reluctant to take-on additional debt to front-end finance large infrastructure projects given provincial debt limits, etc.

However, one downside to delaying projects is that capital costs for the works can increase significantly while the project is waiting for funds to be spent.

There are numerous examples of significant capital projects appearing in numerous DC background studies over a long period of time. However, for two examples of projects that have seen delays and associated cost increases from the delayed timing:

- The Town of Georgina's Multi-Purpose Recreation Complex first appeared in the Town's 2010 DC Study with a timing of 2016 and a gross cost of \$25.0 million, is now contained within the Town's 2021 DC Study with a revised timing of 2022 and a gross cost of \$38.1 million;
- The City of Toronto's project to add a second platform at Union Station appeared in all of the City's DC studies between 1999 and 2018, with project costs increasing from \$58 million in the 1999 DC Study to \$138 million in the 2018 DC Study.

While delaying projects provides municipalities with some temporary budgetary relief, delaying projects inevitably results in construction cost

escalation, offsetting any temporary budgetary relief the municipality may receive if the ultimate capital cost of the work increases and the infrastructure itself is necessary to construct.

The long-term benefit of delaying capital projects for needed community infrastructure is minimal and only results in an under-supply of facilities and amenities need by both existing and new residents of a community.

2.7 RESERVES AND RESERVE FUNDS

Over the 2013-2019 period, just over half of the municipalities studied saw increases to DC reserve fund balances, with 14 of the 16 municipalities having positive balances in their DC reserve funds as of 2019.

The amounts reported in Figure 13 aggregates the balances for all DC reserve funds maintained by a municipality - however, within the aggregate amount displayed, there may be a mix of service-specific DC reserve funds that are in a deficit position and others in a surplus position.

The reserve fund balances can fluctuate significantly from year-to-year for a variety of factors, including:

- Influx of funds from debt issuance, which can provide a one-time boost to the available cash balance in the reserve fund;
- Significant annual debt charges in the years following the debt issuance; and
- Committed funding for specific projects, which may lead to a significant build-up of cash balances but in actuality means that part of the positive cash balance is 'spoken for' and not necessarily available for funding other capital works.

Figure 13

Change in Development Charge Reserve Fund Balances, 2013-2019, Selected Municipalities

Municipality	DC Reserve Fund Balance (excl. Committed Funding)		
	2013	2019	Change 2013-2019
Toronto	383,801,180	1,223,314,054	839,512,874
Peel Region	227,769,840	(122,578,797)	(350,348,637)
Mississauga	176,630,532	182,734,591	6,104,059
Brampton	(231,182,948)	160,568,259	391,751,207
Halton Region	241,536,214	57,215,950	(184,320,264)
Oakville	2,299,486	80,472,790	78,173,304
Burlington	31,645,192	28,605,758	(3,039,434)
Durham Region	399,055,041	695,922,041	296,867,000
Whitby	65,275,234	109,036,901	43,761,667
Oshawa	22,386,133	56,521,549	34,135,416
York Region	324,561,927	269,957,121	(54,604,806)
Markham	38,405,743	38,412,156	6,413
Vaughan	181,073,554	482,519,449	301,445,895
Simcoe County	995,378	1,597,622	602,244
Bradford West Gwillimbury	5,133,634	2,485,360	(2,648,274)
Barrie	37,228,317	(12,626,352)	(49,854,669)
Total	1,906,614,457	3,254,158,452	1,347,543,995

Note: Source for Peel Region DC RF balances are annual DC Reserve Fund Statements, as FIRs for Peel Region do not provide necessary information

Source:

Altus Group Economic Consulting based on annual Financial Information Returns

2.7.1 DC Reserve Fund Balances and Committed Funding

In many municipalities, DC reserve fund statements show “committed” funding for projects over a capital budgeting horizon. In the case of the City of Toronto, the DC reserve fund statement also reports on a five-year sum of committed and Council-approved capital funding. In these cases, the balance of the reserve fund, when compared to the amount and timing of committed funding can provide an indication of the relative scale of reserve balances, in terms of ‘years reserve’ of DC funding.

Using the City of Toronto as an example, as of their 2019 DC Reserve Fund Statement, the DC reserve fund balance of \$1.22 billion was more than

enough to fund the entirety of the 5-year DC capital funding commitments of \$1.15 billion, with an additional \$75 million left over plus any DC revenues received over that five-year period to build the reserve fund balance back up.

Figure 14 Year-by-Year Change in DC Reserve Fund Balance and 5-Year DC Funding Commitments

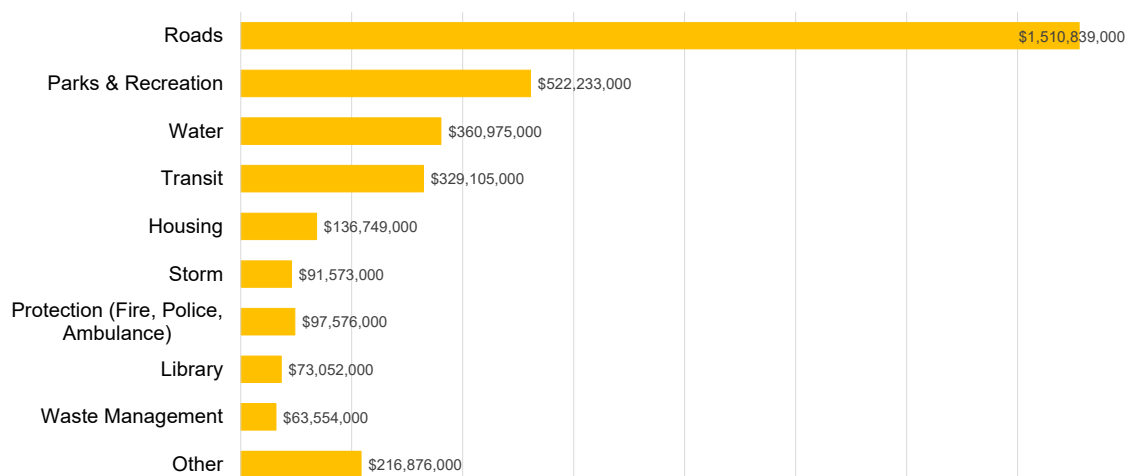
Year	Cash Balance	5-Year Commitments (Approved by Council)	Council Approved Commitments (per year)	Years of DC Spending in Reserve	In-Year Funding/Expenditures		
					Revenues	Expenditures	In-Year Revenue Surplus / (Deficit)
		Dollars (000)		Years		Dollars (000)	
2010	261,297	248,027	49,605	5.27	90,172	44,938	45,234
2011	311,314	284,646	56,929	5.47	131,930	81,914	50,017
2012	369,599	300,097	60,019	6.16	153,927	96,885	57,042
2013	378,227	547,421	109,484	3.45	171,020	162,392	8,628
2014	523,654	727,313	145,463	3.60	272,372	126,945	145,428
2015	629,955	817,347	163,469	3.85	273,711	167,411	106,300
2016	681,861	1,063,352	212,670	3.21	171,292	119,385	51,907
2017	643,011	1,098,771	219,754	2.93	242,784	281,634	(38,850)
2018	1,146,265	1,961,837	392,367	2.92	771,652	279,033	492,619
2019	1,223,314	1,147,598	229,520	5.33	467,347	387,253	80,095

Source: City of Toronto Annual Development Charge Reserve Fund Statements, 2010-2019

2.7.2 DC Reserve Fund Balances by Service

Of the \$3.25 billion combined surplus in DC reserve funds in studied municipalities, over \$1.5 billion is within various municipal “Roads” DC reserve funds, with another \$522 million in “Parks and Recreation” reserve funds.

Figure 15 Cumulative Municipal DC Reserve Fund Balances by Service, Studied Municipalities, 2019 Year-End



*Housing includes social housing, long-term care, shelters

**Other funds includes various smaller DC services, but also includes Wastewater, which as of year-end 2019, had a combined deficit among studied municipalities

Source: Altus Group Economic Consulting based on 2019 Financial Information Returns

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There are substantial amount of funds also in DC reserve funds for Water (\$361 million), Transit (\$329 million), and Housing (\$137 million, which includes funds for social housing, long-term care and shelters).

The table below shows the largest DC reserve fund balances by specific DC services. The largest DC reserve fund balances for roads is held by York Region at \$383 million, with the City of Vaughan also having \$294 million in DC reserve funds for new roads. For combined water/wastewater services, Durham Region has the highest DC reserve fund surplus of approximately \$462 million.

Figure 16

Largest Service-Specific DC Reserve Fund Balances by Municipality, 2019 Year-End Balances						
Service	Largest		Second Largest		Third Largest	
	Municipality	Amount <i>Dollars</i>	Municipality	Amount <i>Dollars</i>	Municipality	Amount <i>Dollars</i>
Roads	York Region	383,167,087	Vaughan	294,940,930	Durham Region	191,378,123
W/WW	Durham Region	462,091,262	Toronto	206,563,491	Halton Region	11,258,441
Parks & Recreation	Toronto	234,948,709	Vaughan	162,158,293	Brampton	94,494,185
Transit	Toronto	297,247,829	York Region	28,078,938	Durham Region	17,186,492
Storm	Toronto	37,953,497	Mississauga	33,345,597	Burlington	6,319,393
Housing	Toronto	110,112,623	York Region	26,944,104	Peel Region	2,878,683

Source: Altus Group Economic Consulting based on Municipal Financial Information Return data

The City of Toronto has the highest balance among the four other major DC services of Parks & Recreation (\$234 million surplus), Transit (\$297 million surplus), Storm (\$38 million surplus) and Housing (\$110 million surplus).

2.8 CONCLUSIONS

Based on the analysis presented of municipal DC rates, revenues, expenditures and reserve funds, the key findings are:

- Since 2009 DC rates have increased significantly, with the average DC rate for a single-detached unit growing from \$31,500 in 2009 to \$80,600 in 2021, an average increase of 156%.
- The most significant component of municipal DCs is cost recovery for hard services. The costs for roads, water and wastewater combine to comprise approximately 70% of the average DC rate imposed, while parks development, indoor recreation and transit services also make up significant portions.
- Overall, in the aggregate, the amount of DC expenditures over the 2013-2019 period closely matches the amount of DC revenues, with actual average annual revenues of \$1.49 billion and average annual

expenditures of \$1.43 billion. However, there are significant disparities when the data is viewed by individual municipality.

- Compared to projections made in DC background studies, there was a significant shortfall compared to both forecasted revenues and expenditures. Overall, compared to forecasts in DC studies, over the 2013-2019 period, there was an overall a shortfall of \$6.0 billion of DC revenues compared to revenue projections and a similarly sized shortfall in DC expenditures compared to expenditure projections.
- Municipalities have built-up significant amounts of reserve funds, with the studied municipalities having a total of \$3.25 billion in DC reserve funds as of year-end 2019. Most municipal DC reserve funds (as a whole) are in a surplus position.
- The municipalities that have had the greatest gap in actual expenditures relative to projections have generally seen significant growth in DC reserve fund balances.
- The \$3.25 billion in DC reserve fund surplus includes over \$1.5 billion in unspent DC funds for Roads, \$522 million for Parks & Recreation, \$361 million for Water, \$329 million for Transit, and \$137 million for Housing services.
- Those municipalities with significant DC reserve fund balances are falling behind in providing the community infrastructure that recently constructed housing units and their residents need for a complete community and delays in constructing amenities such as park development, recreation facilities, transit improvements, storm water management improvements, that have been funded by new development may result in existing communities not sharing in the benefit they receive from growth-funded infrastructure.

3 ANALYSIS OF PARKLAND CASH-IN-LIEU REVENUES AND EXPENDITURES

This section of the report looks at parkland cash-in-lieu (“CIL”) revenues by year to understand how much funding for parkland acquisition is being generated by new housing development each year.

An examination of annual revenues and expenditures is also undertaken to better understand whether municipalities are spending parkland CIL funds on land acquisition and development-specific projects as development happens, or are generally ‘saving’ parkland CIL money for large land acquisitions or parkland projects (such as Toronto’s Rail Deck project)

In addition, where data and information are available, the types of expenditures municipalities are making with parkland CIL funds is reviewed to understand the size, scale, and appropriateness of the spending being done.

3.1 OVERVIEW OF CASH-IN-LIEU OF PARKLAND DEDICATION

Although Bill 108 (passed in June 2019) was intended to alter how municipalities collected funds for parkland acquisition, the recently passed Bill 197 (given assent in July 2020) instead restored most of the current parkland dedication / parkland CIL system.

Currently municipalities acquire parkland and other forms of open space through parkland dedication requirements imposed on new developments. Alternatively, a landowner can provide funds in lieu of parkland dedication to a municipality where physical land dedication is not possible to incorporate into the development.

The *Ontario Planning Act* (the “Planning Act”) says that as a condition of development or redevelopment of land, land in an amount not exceeding 5% of a development site area can be conveyed to the municipality for park or other public recreational purposes. Alternatively, for residential developments, the land conveyed to the municipality may also be provided at a rate of 1 hectare per 300 dwelling units.

The *Planning Act* also says that in lieu of providing the land for parks to the municipality, the developer may instead provide a payment to the municipality in the amount of the value of the land to be conveyed, at a rate

not to exceed 1 hectare per 500 dwelling units. The value of the land is determined as the value on the day before approval of a draft plan of subdivision.

The statutory parkland rates are used in many municipalities studied in this report when land is not provided via dedication. The summary below provides examples of the methods some municipalities use in imposing parkland dedication requirements when cash-in-lieu of parkland is relied upon instead of dedication:

- **Fixed per unit / per hectare rate:**
 - City of Vaughan imposes a fixed per unit rate of \$8,500 per high-density unit;
 - The City of Brampton, for non-high-density developments, calculates the CIL payment based on the quantity of land that would have been dedicated using a fixed per-acre land value that differs depending on the housing unit type being proposed;
 - City of Mississauga imposes a per unit fee of \$10,100 for medium- and high-density developments;
 - City of Oshawa imposes alternative parkland CIL rates for dwellings outside of subdivision plans, ranging from \$1,550 to \$7,440 per unit, depending on the unit type;
 - City of Barrie imposes a CIL rate of \$5,726 per unit for units in medium- and high-density developments;
- **Capped Percentage:**
 - City of Toronto currently limits CIL to 10%, 15% or 20%, depending on the size of the site;
- **Combination of Fixed Per Unit Rate & Capped Percentage:**
 - City of Brampton imposes a fixed per unit rate of \$4,288 per high-density unit, capped at 10% of the value of land;
- **Uncapped:**
 - Town of Bradford West Gwillimbury, Town of Whitby, Town of Oakville, Town of Milton and City of Markham do not apply caps on CIL payments from medium or high-density

developments, whether in the form of a per unit rate, a percentage cap, or a combination thereof.

3.2 AVERAGE ANNUAL REVENUES AND EXPENDITURES

In most municipalities, recent trends have seen average annual revenues significantly exceed expenditures. In aggregate, over the 2015-2019 period, the studied municipalities have received an annual average of \$193.3 million per year in parkland CIL funds, and have spent \$107.7 million per year, or just 56% of revenues received.

Of the studied municipalities, only the Town of Oakville has spent more parkland CIL funds than what was received over the 2015-2019 period. All other municipalities have seen expenditures fall behind revenues.

Figure 17

Annual Average Parkland CIL Revenues and Expenditures, GTA Municipalities, 2015-2019

	Annual Averages - Last Five Years (2015-2019)		
	Revenues	Expenditures	Expenditures as % of Revenues
	<i>Dollars</i>		<i>Percent</i>
Durham Region			
Oshawa	n.a.	n.a.	n.a.
Whitby	n.a.	n.a.	n.a.
Halton Region			
Burlington	1,302,821	208,448	16%
Oakville	9,225,779	9,654,193	105%
Peel Region			
Brampton	12,524,482	3,944,184	31%
Mississauga	17,519,366	9,208,096	53%
Toronto	120,677,996	69,121,842	57%
York Region			
Markham	15,081,060	3,468,770	23%
Vaughan	13,635,039	11,347,971	83%
Simcoe County			
Bradford West Gwillimbury	202,467	-	0%
Barrie	3,174,647	696,694	22%
Total	193,343,658	107,650,199	56%

Source:

Altus Group Economic Consulting based on Financial Information Return data

The imbalance between revenues and expenditures could in some cases be due to some municipalities 'saving up' for large parkland acquisitions. However, the effect of this is that a significant amount of money that could be used to provide public amenities to new and existing residents of municipalities is effectively being stranded for long periods of time and building up into large surpluses in CIL reserve funds (as shown in the following section of this report).

3.3 RESERVE FUND BALANCES

Over the 2009-2019 period, the balance in parkland CIL reserve funds have increased significantly in most municipalities studied, with the aggregate amount of CIL funds increasing from \$375 million in 2009 to \$1.48 billion in 2019, an increase of 294%. Of the \$1.1 billion in additional parkland CIL funds, most of the dollar value increase is from the increase to the City of Toronto's CIL reserve fund, which has increased by \$815 million since 2009.

Figure 18

Change in Parkland Cash-in-Lieu Reserve Fund Balances, GTA Municipalities, 2009-2019

	Reserve Fund Balances - Parkland CIL			
	2009	2019	Change 2009-2019	% Change 2009-2019
Durham Region		<i>Dollars</i>		<i>Percent</i>
Oshawa	705,897	1,261,656	555,759	79%
Whitby	1,954,990	8,431,972	6,476,982	331%
Halton Region				
Burlington	7,130,871	16,636,186	9,505,315	133%
Oakville	15,226,684	35,596,055	20,369,371	134%
Peel Region				
Brampton	16,664,778	98,039,594	81,374,816	488%
Mississauga	55,056,235	132,956,080	77,899,845	141%
Toronto	219,291,142	1,034,737,470	815,446,328	372%
York Region				
Markham	10,929,696	59,165,301	48,235,605	441%
Vaughan	45,446,405	72,544,521	27,098,116	60%
Simcoe County				
BWG	712,651	1,727,843	1,015,192	142%
Barrie	2,325,194	17,304,300	14,979,106	644%
Total	375,444,543	1,478,400,978	1,102,956,435	294%

Source: Altus Group Economic Consulting based on Financial Information Return data

Over the 2009-2019 period, while parkland CIL reserve fund balances have increased by nearly 300%, the continuing escalation of land values over the same period effectively diminishes much of the purchasing power of the funds kept in CIL reserves.

The funds in CIL reserves amount to funding generated by new housing whose new residents have yet to see the benefit of the amenities that they have provided funding for. For example, the increased CIL reserve fund balance when expressed per housing start over the same 2009-2019 provides an indication of the value of parkland or parkland amenities funded by each new residential units but not yet provided. In some municipalities, the increase to the Parkland CIL balance over the 2009-2019 period equates to over \$4,000 of unexpended funds per housing start during that same period of time.

Figure 19

Change in Parkland Cash-in-Lieu Reserve Fund Balances, GTA Municipalities, 2009-2019

	Change in Reserve Fund Balance (2009-2019)	Housing Starts (2009-2019)	Net Change in Reserve Fund Balance per Additional Housing Unit
	<i>Dollars</i>	<i>Units</i>	<i>Dollars / Unit</i>
Durham Region			
Oshawa	555,759	8,639	64
Whitby	6,476,982	5,857	1,106
Halton Region			
Burlington	9,505,315	7,322	1,298
Oakville	20,369,371	14,140	1,441
Peel Region			
Brampton	81,374,816	36,109	2,254
Mississauga	77,899,845	20,772	3,750
Toronto	815,446,328	192,301	4,240
York Region			
Markham	48,235,605	25,037	1,927
Vaughan	27,098,116	25,216	1,075
Simcoe County			
Bradford West Gwillimbury	1,015,192	4,678	217
Barrie	14,979,106	5,292	2,831

Source: Altus Group Economic Consulting based on Financial Information Return data

One strategy that some municipalities could utilize to better match revenues with expenditures and more effectively realize the value of parkland funds

received is, where possible, undertake strategic acquisitions of land so that a significant proportion of parkland is pre-purchased before an area is designated for growth. This would enable the municipalities to take advantage of a period in time where land values are significantly lower than they otherwise would be later on in the planning process.

Prior to adoption official plan policies that contain specific policies dealing with the provision and acquisition of parkland, the *Planning Act* requires municipalities undertake a “Parks Plan” that examines the need for parkland in the municipality. When determining the need for additional parkland in a municipality, these Parks Plans should account for the amount of money in the municipal parkland CIL reserve fund to only determine what the ‘net’ amount of CIL funds would be required going forward used as the basis for setting parkland dedication/CIL rates to be imposed on new development. This approach would be consistent with how municipal DC background studies incorporate existing reserve fund balances into the need for net new funding.

3.4 EXAMPLES OF PARKLAND CASH-IN-LIEU RESERVE FUND EXPENDITURES

3.4.1 Oakville

Over the 2016-2019 period, the Town of Oakville has used its parkland CIL reserves on a mixture of land acquisitions and miscellaneous park improvements (e.g. playground structures and recreation buildings). The most recent prominent purchases being nearly \$16.7 million spent on the acquisition of the Deerfield Golf Club, and another approximately \$2.7 million for the procurement of a surplus site from the Halton Catholic District School Board.

3.4.2 Vaughan

Over the 2016-2019 period, the City of Vaughan has used its parkland CIL reserves primarily for various land acquisitions as well as minor parkland development projects.

The City’s parkland CIL balance at the end of 2019 was \$72.5 million, up from \$68.1 million in 2016. Over the four-year period, the City received \$62 million in revenues, including interest earnings, while spending \$55.8 million, almost all of which was for land acquisition purchases.

3.4.3 Mississauga

Based on the City's annual treasurer's statements, some of the projects for which the City has spent parkland CIL funds include land acquisitions in Downtown Cooksville, Cooksville Creek, and Credit River Valley. The City also funded \$5.7 million towards the Meadowvale Library / Community Centre.

As of the end of 2019, the City's parkland CIL reserve fund balance was \$122.3 million, nearly double what it was in 2016 at \$65.8 million. Over the 2016-2019 period, the City received nearly \$66 million in CIL contributions, while spending only \$43 million. As well, over the 2016-2019 period, the City accrued nearly \$28 million in interest earnings within the CIL reserve fund from its substantial reserve fund balance.

3.5 BEST PRACTICES

3.5.1 North Park, Town of Oakville

Located at the intersection of Dundas St W and Neyagawa Blvd in the Town of Oakville, the 192 acres (77 hectares) of parkland that comprise the North Park was purchased by the Town in 1991 for approximately \$6.6 million (or about \$34,000 per acre). Over 75% of the cost of the purchase in 1991 was facilitated by fees paid for by new development.⁵

The planning process for the lands within the Town located north of Dundas Street West, known as "North Oakville", took a significant amount of time in the years after the parkland purchase, with development of housing in the area only beginning after 2010.

Since the purchase of the North Park land in 1991, land costs in Oakville have risen significantly. According to the land value assumptions used in the 2009 Education Development Charge Background Study for the Halton-area school boards ("Halton 2009 EDC Study"), the value of residential land in the area in the period that North Oakville were 1600% higher than when the Town had acquired the land 20 years earlier.

⁵ See Town of Oakville By-law 1991-171

Figure 20 **North Park Area, Town of Oakville, 2004 to 2019**



Source: Altus Group Economic Consulting based on Google Maps

Had the Town waited to purchase the parkland in the area at a time closer to when development of new housing was initiated, the Town would have paid substantially more.

Using the land values from the Halton 2009 EDC Study, the cost of the land acquisition in 2009 or 2010 would have been approximately \$115 million, or \$108.6 million more than actually spent when the lands were acquired in 1991.

Figure 21 **Estimated Savings in Parkland Acquisition Costs, North Park, Town of Oakville**

Year (Event)	Site Size Acres	Price Per Acre \$/ Acre	Total Cost / Value Dollars
1991 (Year of Acquisition)	192	34,375	6,600,000
2010 (Year of Development)	192	600,000	115,200,000
Change		565,625	108,600,000
% Change		1645%	1645%

Note: All dollar amounts are expressed in nominal terms, and so do not account for inflation

Source: Altus Economic Consulting based on 2009 HDSB/HCDSB EDC Study

3.5.2 Bram East Community Park, City of Brampton

Located northwest of the intersection of The Gore Road and Castlemore Road in the City of Brampton, the Bram-East Community Park provides regional recreational facilities and activities to both the Bram East community, as well as future residential development within the Highway 427 Industrial Secondary Plan, which is planned to be developed with a mixture of low-, medium-, and high-density residential uses.

The City acquired the lands for the Bram-East Community Park in September 2008, purchasing 140 acres of land from a developer/landowner that had originally intended to use the land to develop housing on the site. The newly acquired land was added to an existing inventory of 100 hectares of nearby parkland that the City had already owned, creating one of Brampton's largest community parks.⁶

Part of the lands acquired (16 acres) were later sold in 2012 and used for the ErinOakKids medical facility at the corner of The Gore Road and Castlemore Road.⁷

Figure 22

Bram-East Community Park, City of Brampton



Source: Altus Group Economic Consulting based on Google Maps

⁶ Nova Res Urbis, Greater Toronto Area Edition, September 17, 2008.

⁷ See Bylaw 204-2012

According to the City's 2017 Parks and Recreation Master Plan, the recreation planning area ("RPA") that covers this part of the City is expected to have a surplus of Community Park lands equating to approximately 9.9 hectares by 2031, even after accounting for anticipated growth in the RPA.

Given the challenges municipalities can have in acquiring parkland, and particularly so in preferred locations, the acquisition of the Bram-East Community Park lands in 2008 provided a significant base of parkland to ensure sufficient access to community parks for existing and future residents.

3.5.3 Benefits of Early Acquisition

Based on the details in the cases reviewed, and other scenarios where early acquisition of parkland is possible, it is apparent that there are significant benefits for municipalities, developers, and existing/future residents with this approach, including:

- **Significant Cost Savings for Municipalities:** Purchasing land well in advance of development, or where possible, prior to planning for specific land uses in an area can save municipalities substantial amounts of money in land acquisition expenses. As well, a more forward-looking process can help a municipality avoid competing with prospective developers in acquiring lands;
- **Ensures Community Amenities Are in Place when People Move In:** As evident from the two case studies, having parkland already acquired and parkland developed or other recreation facilities completed prior to housing development occurring in the area can help ensure that new residents moving into an area have immediate access to recreation services, amenities and programs from day one, rather than waiting years, or relying exclusively on neighbourhood parks that developers may provide within the development lands. As well, this can free-up capacity at existing facilities in other parts of a municipality;
- **Reduced Need for Significant Parkland Dedication or Cash-in-Lieu Requirements:** If a municipality was able to adequately plan and provide enough parkland in an area to meet a community or municipality's recreation needs, it may allow a municipality to place less emphasis on extracting maximum parkland CIL dollars from new development. If a municipality was able to avoid imposing a

parkland CIL charge, the costs of housing development would be lowered, equating to savings that could be passed onto new homebuyers. For every \$10,000 in avoided in costs, a new home-buyer would potentially save not only \$10,000 in purchase price costs, but also save mortgage interest costs of approximately \$5,000 over the life of the mortgage⁸;

3.6 CONCLUSIONS

Based on the analysis of municipal parkland dedication and cash-in-lieu policies, revenues, expenditures and reserve funds, the following are the key findings:

- Many municipalities studied use some form of fixed or capped approach to parkland cash-in-lieu payments, which is an important step in ensuring that undue burden is not placed on high-density developments in funding parkland acquisition costs in a municipality;
- Very few municipalities spend as much parkland CIL funds as they receive each year. As a result, reserve fund balances have increased significantly, with reserve fund balances increasing in every municipality studied. The overall parkland CIL reserve fund balance of the municipalities studied was a cumulative \$1.47 billion as of 2019. Much of the combined parkland CIL reserve fund surplus is due to the City of Toronto's 2019 year-end balance of \$1.03 billion, up from \$219 million in 2009;
- Certain municipalities with large-scale developments around major transit stations or in greenfield areas can avoid costly acquisition expenses by strategically pre-purchasing parkland during the initial stages of the planning process before an area is designated for specific land-uses, or well before higher-order transit is installed. Based on the two case studies reviewed, the cost savings for municipalities, taxpayers, and homebuyers can be significant. As well, this ensures that community amenities are in place as residents begin to populate an area.

⁸ Based on 25-year mortgage, 3.5% interest rate, monthly payments

4 ANALYSIS OF SECTION 37 REVENUES AND EXPENDITURES

This section of the report focuses on the revenues, expenditures and reserve fund balances for municipalities that utilize density bonusing as permitted within the Planning Act.

4.1 SECTION 37 – DENSITY BONUSING

In its iteration prior to the passage of Bill 108, the former Section 37 of the *Planning Act* allowed for increases in permitted height and/or density through the zoning by-law in return for ‘community benefits’, provided that the requisite Official Plan policies were in place (e.g. stating the community benefits that would be sought for granting bonusing, etc.). Section 37 contributions were meant to help municipalities provide community infrastructure required by the people being accommodated in a development over and above the permitted as-of-right zoning.

While Section 37 provisions are used in some ‘905’ municipalities, it has been most frequently utilized in the City of Toronto. The *City of Toronto Official Plan* sets out several community benefits that may be provided in return for increased height and/or density, including affordable housing, parkland/park improvements, streetscape improvements, public art, childcare facilities, etc. The contributions can be provided in the form of both cash contributions or in-kind contributions (e.g. funding the construction of a daycare, providing a connection from the development to a transit station, etc.).

While Section 37 contributions are often provided by private developers unlike all other types of charges, taxes or fees imposed by municipalities, there is often no publicly available formula or method for how Section 37 contributions are determined. Instead, Section 37 contributions are determined based on the result of negotiations between municipal staff, the municipal Councilor and an applicant, which can result in significant variation in what is provided from one development to the next, or from one area a municipality to another.

Based on our review of section 37 agreements associated with various zoning by-law amendments in the City of Toronto, in some cases cash contributions agreed upon can range anywhere from less than \$1,000 per unit, to over \$22,000 per unit in some instances.

The Section 37 system, as has been in place in Ontario for some time, is far from optimal from a public policy perspective. The results of a negotiated charge like Section 37 is contrary to basic principles that public taxation policy should adhere to, including:

- **Fairness:** paying the same as others in similar circumstances;
- **Certainty:** knowing what you'll have to pay;
- **Transparency:** knowing how the tax/charge is calculated, and how the funds are used.

Starting September 2022, the former Section 37 density bonusing system will be replaced with a Community Benefits Charge ("CBC") system, which will impose a charge based on a percentage of the land value for developments that include both 10-or-more residential units and are 5-or-more storeys in height. This percentage has been fixed by regulation at 4% of land value, based on the value as of the day before building permit issuance.

Prior to adoption of a CBC by-law, municipalities will be required to prepare a CBC Strategy Study that will identify the facilities, services, and matters to be funded. The CBC by-law is permitted to be appealed to the Local Planning Appeals Tribunal ("LPAT"). Municipalities are also required to provide annual statements that report on details regarding reserve fund balances and specific expenditures made using CBC reserve funds.

4.2 EXAMPLES OF MUNICIPAL USAGE OF SECTION 37 DENSITY BONUSING

4.2.1 City of Toronto

According to a City of Toronto Staff Report dated September 23, 2019, the City received a total of \$184.5 million in Section 37 cash contributions over the 2016-2018 period (or \$61.5 million per year), with approximately \$91.7 million set aside for specific purposes, and another \$92.8 million 'unattributed' until a specific project is determined. Of the \$91.7 million for specific projects, the funds are allocated for the following specific purposes:

- \$23.9 million for affordable housing;
- \$18.1 million for parkland and/or park improvements;
- \$14.1 million for streetscape improvements;

- \$12.9 million for public agency space (non-profit arts, cultural, community or institutional facilities);
- \$10.3 million for community centres;
- \$4.0 million for the Jack Layton Ferry Terminal;
- \$2.9 million for public art; and
- \$5.5 million for miscellaneous projects, including library improvements, road improvements, non-profit child care facilities, bike share infrastructure, and local improvements to transit facilities.

As of the end of 2018, the City had a surplus of approximately \$303 million in the Section 37 reserve fund. The vast majority of this reserve fund balance (\$214 million out of \$303 million, or 71%) was attributed to four Wards within the Downtown area of the City (i.e. York Centre, University Rosedale, Toronto St. Paul's, Toronto Centre).⁹

The Wards outside of the Downtown that have the most substantial reserve fund balances include Wards 17 and 18 (i.e. Don Valley North and Willowdale), with \$14.8 million and \$14.6 million respectively, which combined make up a further 10% of the reserve fund balance.

4.2.2 Town of Oakville

Through the approval of the Liveable Oakville Plan in 2011, the Town of Oakville began to have in-force Section 37 density bonusing policies, with the first agreement made in 2012.

However, the Town has not used Section 37 extensively – since 2015, the Town has brought in just \$565,160 in developer cash contributions and has made another \$232,700 from interest earnings. Instead, the Town appears to primarily use section 37 as a tool to receive in-kind contributions, but based on conversations with Town staff, have also utilized letters-of-credit (LOCs) to fund works with drawdowns on those LOC amounts. The Town has spent just \$42,100 in funds over the 2016-2019 period, exclusively on the “Kerr Village Building Façade Improvement Grant”, but this amount would exclude in-kind contributions or those funded by LOCs. As of year-end 2019, the Section 37 Density Bonus reserve fund had a balance of approximately \$2.84 million.

⁹ Based on the 25 Ward Structure

It is noted that while the Town reports on which developments have made Section 37 agreements, the details of those agreements are not made public as they are in other jurisdictions such as the City of Toronto.

4.2.3 City of Vaughan

According to the City of Vaughan's guidelines¹⁰ for implementation of Section 37, it's use in Vaughan is primarily intended for the intensification areas of the City.

The City utilizes a sizing threshold, with Section 37 provisions only being applied to projects larger than 4,000 square metres in gross floor area ("GFA") and where the proposed density exceeds 1,000 square metres in GFA over what is otherwise permitted.

The City's guidelines state that while there is no standard city-wide formula,

...On average the City will seek to achieve a value for community benefits that represent a range between 20-35% of the increase in land value resulting from the increase in height and/or density.¹¹

As of year-end 2019, the City of Vaughan had a balance of approximately \$3.06 million in its Section 37 reserve fund.

4.2.4 City of Mississauga

According to the City of Mississauga's Bonus Zoning Policy (policy number 07-03-1)¹², the City sets out minimum size requirements for a development to be eligible for Section 37 contributions. The policy states that any zoning by-law amendment in excess of maximum development limits where additional height is proposed or projects that are larger than 5,000 m² in size and where the proposed density would exceed 1,500 m² over what would otherwise be permitted.

As of the end of 2019, the City had a balance of \$1.97 million in its Bonus Zoning Reserve Fund after accruing about \$80,000 in interest and spending \$300,000 on capital projects that year.

Based on historic revenues and expenditures, over the 2016-2019 period, the City collected approximately \$2.1 million in contributions and spent \$1.0

¹⁰ City of Vaughan, Guidelines for the Implementation of Section 37 of the Planning Act

¹¹ Ibid, page 3

¹² City of Mississauga, Bonus Zoning Policy Number 07-03-01, September 26, 2012

million. As well, the reserve fund balance increased from \$1.17 million to \$1.97 million over that same period.

4.2.5 Other Municipalities

While the City of Markham does utilize Section 37, details regarding contributions and expenditures were not readily available to produce a detailed analysis.

As well, despite extensive research, it does not appear that many of the other municipalities utilize Section 37 density bonusing in any significant way. This includes the City of Brampton¹³, City of Barrie, Town of Bradford West Gwillimbury, Town of Whitby, City of Pickering, and the Town of Milton.

It should be noted that Section 37 density bonusing is a tool only used by lower-tier or single-tier municipalities and is therefore not applicable to the upper-tier municipalities that were studied in this report (i.e., Halton Region, York Region, Peel Region, Durham Region and Simcoe County).

4.3 COMMUNITY BENEFITS CHARGE

Starting in September 2022, the current Section 37 of the *Planning Act* will be replaced with a Community Benefits Charge (“CBC”) that will allow single-tier and lower-tier municipalities to levy a charge capped at 4% of land value against development, based on the value of land as of the day before first building permit.

The CBC will only be allowed to be imposed on higher-density developments that have both 5-or-more storeys and 10-or-more dwelling units.

The *Planning Act* requires that before a CBC by-law can be passed, the municipality must prepare a “CBC Strategy” study, which will largely be similar in scope to DC background studies required to be done to rationale proposed DC rates. The new CBC system will improve the required level of transparency on reporting of revenues and expenditures, as the O.Reg. 509/20 requires annual reserve fund statements, similar to the requirements under the *Development Charges Act*.

¹³ Based on Staff Report 8.2.4-1 to Committee of Council, April 24, 2019

Appeals of CBC by-laws will be allowed should the provisions of the *Planning Act* and associated regulations not be met in the imposition of the charge. The *Planning Act* also sets out a dispute mechanism for specific developments where the amount imposed may exceed the allowable cap on CBCs.

The CBC system would also require that municipalities “spend or allocate” 60% of money in CBC reserve funds at the start of the year.

4.4 CONCLUSIONS

Based on the analysis of municipal Section 37 density bonusing policies, revenues, expenditures and reserve funds, the following are the key findings:

- In most of the municipalities reviewed, the Section 37 density bonusing tool was used sparingly and contributed limited amounts to community infrastructure projects.
- Community Benefits Charges, which replaces the former iteration of Section 37 density bonusing, will become a more broadly applied charge as it affects the full land value of all high-density developments, whereas Section 37 density bonusing only applies to the incremental increase in zoning permissions;
- For most municipalities that will utilize CBCs, the new charge will represent an increase in revenues from what has been collected under the current Section 37 density bonusing system;
- For the City of Toronto, the heaviest user of the former Section 37 density bonusing system, the implementation of the new CBC regime will still lead to a substantial collection of contributions from new development for community infrastructure. However, the CBC imposed by the City of Toronto will provide applicants with greater certainty regarding the quantum to be paid for community benefits than Section 37 density bonusing did;
- Given that CBCs will be applied to all higher-density housing developments rather than just those that exceed existing zoning permissions for height and/or density, while some developments may pay less in CBCs than it may have under Section 37 density bonusing, CBCs will be imposed more broadly across the City, meaning that the impact on the City of Toronto’s finances may be negligible.

5 ANALYSIS OF OTHER FISCAL TOOLS

This section of the report reviews other fiscal considerations affecting municipal finances, such as property taxes, user fees and service charges, municipal debt limits, and the City of Toronto's municipal land transfer tax.

5.1 RESIDENTIAL PROPERTY TAXES PER HOUSEHOLD

This section reviews how municipalities have seen property tax revenues and other fees and user rates have changed over time. These tax and user rate/ fee and service charge revenues are mostly used to fund annual operating costs, however, a significant proportion of these revenues are also utilized to fund capital costs.

Figure 23 shows the change in property tax revenues per household and per capita over the 2009-2019 period. The property taxes per household increased for selected municipalities¹⁴ between 22% and 43% over the timeframe, which equates to an average annual increase of between 1.8% and 3.3% per year.

Figure 23 Change in Residential Property Taxes per Household and per Capita, 2009-2019, Selected GTA Municipalities

Municipality	Residential Property Taxes per Household			Residential Property Taxes per Capita		
	2009	2019	% Change	2009	2019	% Change
	<i>Dollars / Household</i>		<i>Percent</i>	<i>Dollars / Capita</i>		<i>Percent</i>
Markham	3,020	4,008	33%	812	1,164	43%
Vaughan	3,208	4,122	28%	906	1,267	40%
Brampton	2,717	3,848	42%	768	995	30%
Mississauga	2,275	3,188	40%	719	1,031	43%
Burlington	2,259	2,907	29%	869	1,205	39%
Oakville	3,254	4,250	31%	1,118	1,446	29%
Whitby	2,863	3,994	39%	932	1,305	40%
Oshawa	2,607	3,535	36%	1,002	1,347	34%
Bradford West Gwillimbury	2,067	2,824	37%	698	995	43%
Barrie	2,289	3,266	43%	820	1,190	45%
Toronto	1,912	2,328	22%	752	948	26%

Source: Altus Group Economic Consulting based on Financial Information Returns, 2009 & 2019

¹⁴ The property taxes paid to upper-tier municipalities, where applicable, are embedded within the estimated property taxes per household in each lower-tier municipality.

The calculations in Figure 24 account for the effects of inflation, which according to measurements of the Consumers Price Index (“CPI”) in Ontario over the 2009-2019 period, increased by approximately 20%.¹⁵

In many cases, after accounting for inflation, the property tax revenues municipalities received in 2019 are little changed from what they were in 2009, with the increases to property tax revenues per household after inflation, ranging from just 1% to 19%.

Figure 24 Change in Residential Property Taxes per Household and per Capita, 2009-2019, Selected GTA Municipalities, After Accounting for Inflation

Municipality	Residential Property Taxes per Household			Residential Property Taxes per Capita		
	2019			2019		
	2009	(\$2009)	% Change	2009	(\$2009)	% Change
	<i>Dollars / Household</i>		<i>Percent</i>	<i>Dollars / Capita</i>		<i>Percent</i>
Markham	3,020	3,340	11%	812	970	20%
Vaughan	3,208	3,435	7%	906	1,055	17%
Brampton	2,717	3,206	18%	768	829	8%
Mississauga	2,275	2,657	17%	719	859	19%
Burlington	2,259	2,423	7%	869	1,004	16%
Oakville	3,254	3,541	9%	1,118	1,205	8%
Whitby	2,863	3,328	16%	932	1,088	17%
Oshawa	2,607	2,946	13%	1,002	1,122	12%
Bradford West Gwillimbury	2,067	2,354	14%	698	829	19%
Barrie	2,289	2,721	19%	820	992	21%
Toronto	1,912	1,940	1%	752	790	5%

Source: Altus Group Economic Consulting based on Financial Information Returns, 2009 & 2019

¹⁵ Statistics Canada Table 18-10-0004-11, Ontario CPI change 2009-2019, all-items (+20.3%), all-items excluding food (+19.5%), all-items excluding food and energy (+19.5%), all items excluding energy (+20.5%)

5.2 USER RATES/FEE REVENUES PER HOUSEHOLD

Figure 25 shows how user rates/fee and service charge revenues have changed over the 2009-2019 period when expressed on a per household and per capita basis.¹⁶

Figure 25 Change in User Fee and Service Charge Revenues per Household and per Capita, 2009-2019, Selected GTA Municipalities

Municipality	User Fees and Service Charges per Household			User Fees and Service Charges per Capita		
	2009	2019	% Change	2009	2019	% Change
	<i>Dollars / Household</i>		<i>Percent</i>	<i>Dollars / Capita</i>		<i>Percent</i>
Markham	1,774	3,144	77%	477	914	92%
Vaughan	1,887	3,355	78%	533	1,031	93%
Brampton	1,257	1,842	47%	355	476	34%
Mississauga	1,195	1,718	44%	378	555	47%
Burlington	1,162	1,343	15%	447	557	24%
Oakville	1,348	1,663	23%	463	566	22%
Whitby	1,323	1,966	49%	431	643	49%
Oshawa	1,007	1,443	43%	387	550	42%
Bradford West Gwillimbury	1,387	1,529	10%	469	538	15%
Barrie	1,241	1,859	50%	444	678	53%
Toronto	1,871	2,605	39%	736	1,061	44%

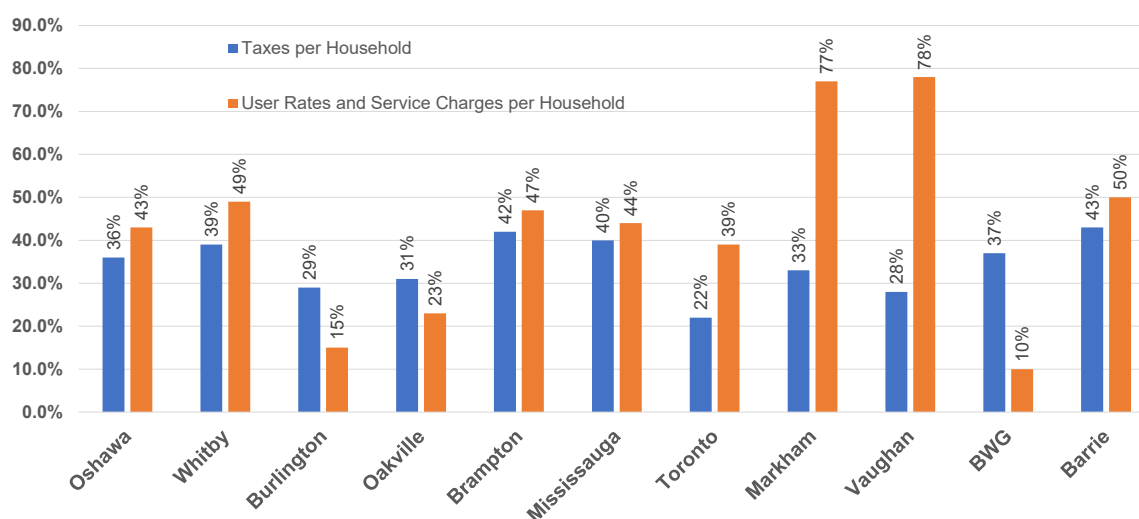
Source: Altus Group Economic Consulting based on Financial Information Returns, 2009 & 2019

In some municipalities, the user rate/fee and service charge revenues have been increasing at a significantly faster pace than property tax revenues (except for Burlington and Oakville in Halton Region). This suggests increasing reliance on user rate/fee revenues for funding municipal services, and greater emphasis on rate-based revenue streams such as water and sewer user rates, parks and recreation program user fees, waste management fees, etc.

¹⁶ User fees/services charges imposed by upper-tier municipalities are allocated to the lower-tier municipalities based on the proportionate share of population in each lower-tier municipality. The user fees/service charge revenues include revenues generated by both residential and non-residential uses, but put on a 'per capita' and 'per household' basis for ease of comparison across municipalities.

Figure 26

Change in Residential Taxes per Household vs. User Rates/Service Charges Revenues per Household, 2009-2019



Source: Altus Group Economic Consulting

5.3 DEBT CHARGES AND PROVINCIAL REPAYMENT LIMITS

Ontario Regulation 403/02 provides for municipal debt limits, known as the “Annual Repayment Limit” (ARL) with municipalities not to have debt charges that exceed 25% of net revenues.

As of 2019, none of the studied municipalities have annual debt charges that are above 10.5% of annual net revenues, with the average in 2019 being 4.7%, significantly below the 25% limit, with that ratio only increasing modestly since 2009 (4.0%).

The largest increase in debt ratio was seen in Barrie (increased from 1.3% to 9.0%) and Peel Region (increased from 2.8% to 8.1%), which is due to major water and wastewater infrastructure projects being funded in those municipalities. However, despite the size of the investments made, both municipalities are still significantly below the provincial ARL.

Figure 27

Net Debt Charges as % of Net Revenues, 2009-2019

Municipality	2009	2019	Change 2009-2019
	<i>Percent</i>		<i>Pct. Points</i>
Toronto	8.0	10.5	2.6
York Region	15.6	7.8	(7.8)
Vaughan	2.8	1.6	(1.2)
Markham	-	0.3	0.3
Halton Region	7.6	3.9	(3.7)
Oakville	3.6	4.2	0.6
Burlington	4.6	8.1	3.5
Peel Region	2.8	8.1	5.3
Mississauga	-	3.3	3.3
Brampton	0.3	1.4	1.1
Durham Region	3.8	2.4	(1.4)
Whitby	2.3	0.2	(2.1)
Oshawa	7.0	5.8	(1.2)
Barrie	1.3	9.0	7.7
Simcoe County	1.9	1.7	(0.2)
BWG	3.1	6.5	3.4
Average	4.0	4.7	0.6

Note: Provincial guideline limits municipalities to have debt charges no higher than 25% of net revenues

Source: Altus Group Economic Consulting based on Financial Information Return data

Since 2011, the Province has provided for increased debt-limit rules for York Region, which enables the Region to use growth-related debt by adding a “Growth Cost Supplement” to the Ministry determined ARL. The Ministry recently extended the increased debt-limit rules for York Region for an additional 10 years, through the year 2031. The increased debt-limit rules for York Region allow the municipality to include 80% of the previous three years of DC collections to the ministry determined ARL.

As of 2019, York Region’s debt charges were 7.8% of net revenues, significantly below the ministry determined ARL.¹⁷ However, the Growth Cost Supplement utilized by the Region, as of 2020, would add 60% to the base ARL, effectively bringing the Region’s debt limit to 40% instead of the base 25% limit.

¹⁷ The Region’s debt charges increased 10.5% of net revenues for the 2020 fiscal year. This updated amount was not shown in the table as not all municipal FIRs are available for 2020.

5.4 CITY OF TORONTO - MUNICIPAL LAND TRANSFER TAX

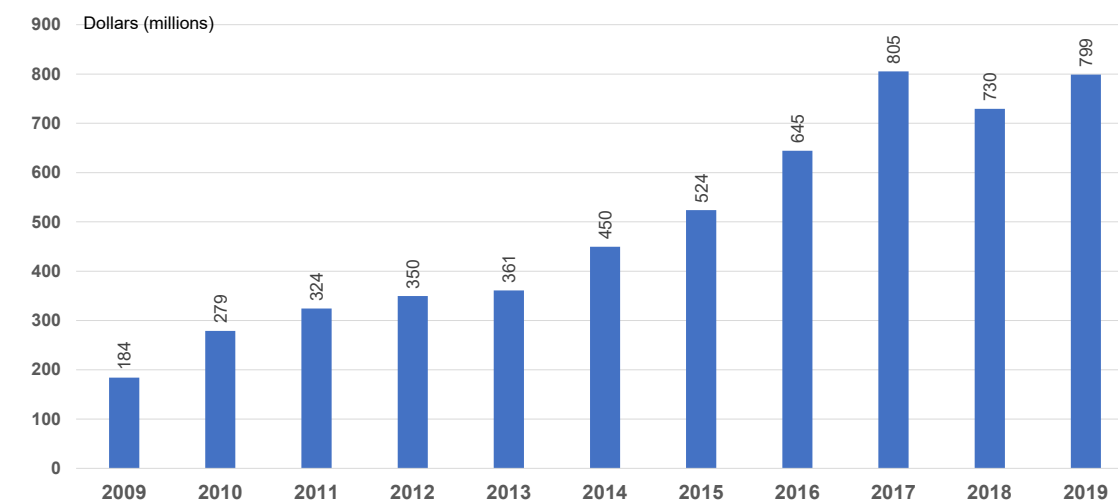
The City of Toronto, under the *City of Toronto Act*, 2006, was granted authority to impose a municipal land transfer tax (MLTT) on all properties in the City. It is the only municipality in Ontario with the authority to levy a land transfer tax, and it is imposed in addition to the Provincial land transfer tax.

The MLTT is imposed on all real estate transactions including the purchase of new homes, as well as resale homes, and other commercial transactions, with some exemptions provided for school boards, universities/colleges, hospitals, nursing homes, etc.

Over the 2009-2019 period, the City has raised \$5.45 billion in MLTT revenues, or an average of approximately \$495 million per year, with the City receiving more than \$700 million in each of 2017, 2018 and 2019.

Figure 28

City of Toronto Municipal Land Transfer Tax Revenues, 2009-2019



Source: Altus Group Economic Consulting based on Financial Information Return data

The City directs MLTT revenues to a mix of capital reserves, operating reserves, and tax rate stabilization reserves. As of 2020, the City directed 5% of MLTT revenues to the City's capital financing reserves, but the City is

exploring opportunities to direct larger portions towards the City's capital program.¹⁸

While there is potential for year-to-year volatility of MLTT revenues, the experience thus far has been that MLTT revenues are a fairly reliable, steadily increasing source of ongoing operational and capital funding for the City.

To provide context for how significant the MLTT revenues have been for the City, the \$799 million raised in MLTT in 2019 represents approximately 6.2% of all municipal operating expenditures (\$12.9 billion in 2019). The \$799 million in revenues, if used entirely to fund operating costs, is more than enough on its own to fund all of the City's operating expenses for the entire Fire Services division (\$567 million) and Library services (\$226 million).

The City's significant MLTT revenues have allowed the City to minimize property tax increases – the \$799 million generated in 2019 equates to over 18% of the City's property tax revenues generated from residential and non-residential properties (\$4.4 billion). If not for the MLTT revenues, all else being equal (service levels being unchanged from what they currently are), the City would have required the bulk of the \$799 million to come from increased revenues from the City's property tax base.

5.5 CONCLUSIONS

Based on the analysis of municipal property taxes and user rates, the following are the key findings:

- Municipalities have generally committed to limited annual property tax increases, as evident from the property taxes per household analysis that show little increases in reliance on property taxes as a funding source from each housing unit in a municipality.
- Instead, municipalities have relied on increased property tax revenues generated by new development to maintain municipal service levels for tax-based services;
- Most municipalities studied are also increasingly more reliant on user fee and service charge increases than property tax increases, with 7 of

¹⁸ City of Toronto, 2020 Operating Budget Briefing Note,
<https://www.toronto.ca/legdocs/mmis/2020/ex/bgrd/backgroundfile-146043.pdf>

10 municipalities seeing user rates/service charges increase at a faster pace than property tax revenues per household;

- The increases to taxes, fees and charges levied on existing ratepayers have paled in comparison to the increases seen for DCs imposed on new residential and non-residential developments.
- All municipalities studied are well within the Province's debt limit, with average debt charges as a share of net revenues increasingly only moderately since 2009.
- The City's Municipal Land Transfer Tax has provided the City with a steady and reliably growing source of funding that is primarily used to fund the City's operating costs and stabilize tax rate increases – the amount of money the City generates is roughly equivalent the entirety of operating costs for the City's Fire Services and Library Services combined. The MLTT has limited the City's need to increase property tax revenues to fund operating costs for City services.

6 CONCLUSIONS AND SUMMARY

The studied municipalities studied have a total of over \$5 billion in development-generated capital funds available to be used to provide the necessary community infrastructure for existing and future community residents and businesses.

Figure 29

Balance in Reserves and Reserve Funds - DCs, Parkland CIL and Section 37, 2019, by Municipality

	Parkland CIL	Development Charges	Section 37	Total
	<i>Dollars</i>			
Durham Region	n.a.	695,922,041	n.a.	695,922,041
Oshawa	1,261,656	56,521,549	n.a.	57,783,205
Whitby	8,431,972	109,036,901	n.a.	117,468,873
Halton Region	n.a.	57,215,950	n.a.	57,215,950
Burlington	16,636,186	28,605,758	n.a.	45,241,944
Oakville	35,596,055	80,472,790	2,840,000	118,908,845
Peel Region	n.a.	(122,578,797)	n.a.	(122,578,797)
Brampton	98,039,594	160,568,259	n.a.	258,607,853
Mississauga	132,956,080	182,734,591	1,970,000	317,660,671
Toronto	1,034,737,470	1,223,314,054	303,000,000	2,561,051,524
York Region	n.a.	269,957,121	n.a.	269,957,121
Markham	59,165,301	38,412,156	n.a.	97,577,457
Vaughan	72,544,521	482,519,449	3,055,600	558,119,570
Simcoe County	n.a.	1,597,622	n.a.	1,597,622
BWG	1,727,843	8,613,255	n.a.	10,341,098
Barrie	17,304,300	(12,626,352)	n.a.	4,677,948
Total	1,478,400,978	3,260,286,347	310,865,600	5,049,552,925

Source: Altus Group Economic Consulting based on Financial Information Returns, municipal data and reports

Compared to planned growth in population and employment, many municipalities studied have fallen short of forecasts, in part causing actual DC revenues to come in substantially below forecasted revenues, with municipalities responding (in the aggregate) to the shortfall in DC revenues by delaying capital expenditures in a proportionate manner, by delaying capital projects among other responses. Some municipalities have

disproportionately delayed DC expenditures well below the degree to which revenues have fallen short.

The delaying of infrastructure spending, while providing short-term budgetary relief, tends to only result in escalated costs in the future for the required works, with cost escalation likely beyond any interest that the funds may earn while in the reserve fund, resulting in municipalities spending substantially more money in the long-term than is saved short-term. Further, delays in spending on infrastructure that is required by new growth can give rise to further delays on the ability of new development to proceed in a timely manner if the infrastructure needed is not in place.

The roughly \$5 billion in available funds for infrastructure presents an opportunity for GTA municipalities to add much needed community amenities and infrastructure to improve the quality of life for existing residents and create capacity to accommodate new development.

Appendix A
Detailed Tables –
Development Charge Data

Figure A-1 Residential Development Charge Rates for GTA Municipalities, as of March 2009

	Single Detached Dwellings			Apartments (2+ Bedrooms) ¹			Apartments (<2 Bedrooms) ¹		
	Municipal DC Rate	Regional DC Rate	Total	Municipal DC Rate	Regional DC Rate	Total	Municipal DC Rate	Regional DC Rate	Total
Durham Region				<i>Dollars per Unit</i>					
Oshawa	8,108	17,879	25,987	4,850	10,427	15,277	3,836	11,784	15,620
Whitby	10,208	17,879	28,087	7,171	10,427	17,598	3,914	11,784	15,698
Halton Region									
Burlington	8,702	27,843	36,545	6,751	16,663	23,414	4,748	11,146	15,894
Oakville	12,926	27,843	40,769	8,222	16,663	24,885	4,740	11,146	15,886
Peel Region									
Brampton	21,941	17,653	39,594	16,133	12,609	28,742	8,389	6,557	14,946
Mississauga	11,850	17,653	29,503	8,464	12,609	21,073	4,401	6,557	10,958
Toronto	12,366	n.a.	12,366	8,021	n.a.	8,021	4,985	n.a.	4,985
York Region									
Markham	15,540	23,438	38,978	10,220	14,602	24,822	6,130	9,445	15,575
Vaughan	12,505	23,438	35,943	7,425	14,602	22,027	7,425	9,445	16,870
Simcoe County									
BWG	28,568	4,067	32,635	16,070	2,847	18,917	11,479	2,847	14,326
Barrie	26,060	n.a.	26,060	15,236	n.a.	15,236	12,831	n.a.	12,831

1 The DC Rates for the Regions of Peel and York differentiate large and small apartment units based off of size thresholds (i.e. 750 and 700 sf, respectively) rather than by number of bedrooms

Note: DC rates shown here are assuming that the unit is built within the urban area, on municipal water and wastewater services. No area-specific DC rates are taken into account.

Source: Altus Group Economic Consulting based on municipal and regional development charge by-laws.

Figure A-2 Residential Development Charge Rates for GTA Municipalities, Current as of January 2021

	Single Detached Dwellings			Large Apartments (2+ Bedrooms) ¹			Small Apartments (<2 Bedrooms) ¹		
	Municipal DC Rate	Regional DC Rate	Total	Municipal DC Rate	Regional DC Rate	Total	Municipal DC Rate	Regional DC Rate	Total
Durham Region				<i>Dollars per Unit</i>					
Oshawa	24,490	32,926	57,416	15,501	19,130	34,631	9,463	12,461	21,924
Whitby	24,418	32,926	57,344	14,393	19,130	33,523	9,363	12,461	21,824
Halton Region									
Burlington	12,792	44,591	57,383	6,507	14,732	21,239	4,794	11,279	16,073
Oakville	37,667	44,591	82,259	20,244	14,732	34,976	12,206	11,279	23,484
Peel Region									
Brampton	38,869	53,510	92,380	23,369	32,752	56,121	13,465	21,662	35,127
Mississauga	41,079	53,510	94,589	27,997	32,752	60,749	15,254	21,662	36,916
Toronto	87,299	n.a.	87,299	51,103	n.a.	51,103	33,358	n.a.	33,358
York Region									
Markham	38,371	63,593	101,964	22,981	37,425	60,406	16,896	27,321	44,217
Vaughan	54,812	63,593	118,405	33,428	37,425	70,853	24,093	27,321	51,414
Simcoe County									
BWG	60,141	9,984	70,125	32,993	5,634	38,627	26,085	5,634	31,719
Barrie	67,478	n.a.	67,478	37,794	n.a.	37,794	26,531	n.a.	26,531

1 The DC Rates for the Regions of Peel and York differentiate large and small apartment units based off of size thresholds (i.e. 750 and 700 sf, respectively) rather than by number of bedrooms

Note: DC rates shown here are assuming that the unit is built within the urban area, on municipal water and wastewater services. No area-specific DC rates are taken into account.

Source: Altus Group Economic Consulting based on municipal and regional development charge by-laws.

Appendix B

Demographic Information

DEMOGRAPHIC AND STATISTICAL DATA

Many metrics in the report are expressed on 'per capita' or 'per household' bases – this appendix provides detailed data on the population and household counts within each municipality. As well, data on housing starts and completions within each municipality are provided for context behind some of the analysis for development-driven revenues by municipality, and as compared from one municipality to the next.

POPULATION

Over the 2009-2019 period, the population in the municipalities studied has increased in the range of 6% in the City of Mississauga to 65% in the Town of Bradford West Gwillimbury. Most municipalities studied fall within a range of 12% to 23% population growth over the 10-year period.¹⁹

Figure B- 1

Municipal Population Change, 2009-2019, Study Municipalities

Municipality	2009	2019	Change 2009-2019	% Change
		<i>Persons</i>		<i>Percent</i>
City of Toronto	2,649,010	2,963,468	314,458	12%
York Region	1,016,640	1,182,525	165,885	16%
Vaughan	279,792	326,472	46,680	17%
Markham	299,697	345,531	45,834	15%
Halton Region	493,704	597,770	104,066	21%
Oakville	183,708	212,715	29,007	16%
Burlington	174,908	191,902	16,994	10%
Peel Region	1,293,974	1,533,961	239,987	19%
Mississauga	722,664	769,420	46,756	6%
Brampton	511,080	689,856	178,776	35%
Durham Region	610,458	698,184	87,726	14%
Whitby	122,911	137,051	14,140	12%
Oshawa	149,666	175,255	25,589	17%
Simcoe County	280,061	344,816	64,755	23%
Bradford West Gwillimbury	25,987	42,854	16,867	65%
Barrie	138,442	149,854	11,412	8%

Source: Altus Group Economic Consulting based on Statistics Canada, Annual Demographic Estimates

In absolute terms of persons added, the City of Toronto has added the most at approximately 314,000 persons of net population growth over the 10-year period, higher than any of the five other upper-tier municipalities, with Peel Region being the second highest at almost 240,000 persons.

¹⁹ Exceptions: Mississauga 6%, Barrie 8%, and Brampton 35%

HOUSEHOLDS

Figure B-2 shows the number of households in each municipality, as reported for the years 2009 and 2019 in Financial Information Returns.

Figure B- 2

Municipal Household Change, 2009-2019, Study Municipalities				
Municipality	2009	2019	Change 2009-2019	% Change
		<i>Households</i>		<i>Percent</i>
City of Toronto	1,084,000	1,208,300	124,300	11%
York Region	308,852	382,571	73,719	24%
Vaughan	80,167	101,900	21,733	27%
Markham	81,719	101,401	19,682	24%
Halton Region	171,478	222,857	51,379	30%
Oakville	60,868	72,893	12,025	20%
Burlington	66,328	73,575	7,247	11%
Peel Region	383,969	450,000	66,031	17%
Mississauga	231,000	251,900	20,900	9%
Brampton	140,686	180,189	39,503	28%
Durham Region	216,400	239,100	22,700	10%
Whitby	40,174	44,770	4,596	11%
Oshawa	57,578	65,534	7,956	14%
Simcoe County	130,623	144,481	13,858	11%
Bradford West Gwillimbury	8,644	13,583	4,939	57%
Barrie	50,123	54,661	4,538	9%
Source:				
Altus Group Economic Consulting based on Financial Information Returns, 2009 & 2019				

HOUSING STARTS BY MUNICIPALITY

The tables below show the number of housing starts by municipality over the 2009-2020 period, with data broken out and expressed as annual averages by three-year segment (Figure B- 3).

Figure B- 3

Total Housing Starts, by Municipality, Three-Year Annual Averages, 2009-2020

Municipality	2009-2011	2012-2014	2015-2017	2018-2020
	<i>Units</i>			
City of Toronto	14,772	17,568	19,163	18,917
York Region	7,585	8,489	8,483	6,794
Vaughan	2,545	1,719	2,629	2,628
Markham	2,003	3,398	2,167	1,397
Halton Region	3,441	3,541	4,158	3,789
Oakville	775	1,318	1,746	1,546
Burlington	474	355	432	402
Peel Region	4,809	5,903	5,693	5,576
Mississauga	1,931	1,201	1,791	2,582
Brampton	2,525	4,228	3,269	2,405
Durham Region	2,649	2,652	4,067	3,916
Whitby	548	380	491	697
Oshawa	509	642	1,166	964
Simcoe County¹	1,464	1,630	3,074	2,267
BWG	284	262	266	154
Barrie	413	521	491	555

¹ Includes Innisfil, Springwater, Collingwood, Midland, Penetanguishene, Tay, Orillia, Severn, Ramara, Bradford West Gwillimbury, New Tecumseth, Wasaga Beach, Adjala-Tosorontio

Source: Altus Group Economic Consulting based on CMHC Housing Completions Data, 2020

POPULATION AND EMPLOYMENT GROWTH VS. GROWTH PLAN FORECASTS

The table below shows a comparison of 2019 population and employment in upper-tier and single-tier municipalities, and growth since 2001, compared to forecasts in the Growth Plan.

Figure B- 4 Upper- and Single-Tier Municipality Population and Employment Change, 2001-2019, Actual vs. Growth Plan Forecasts

	Growth Plan Forecasts			Actuals (2019)	Actual Growth (2001-2019)	Actual as % of Anticipated Growth
	Base Year (2001)	Forecast (2019 est.)	Anticipated Growth (2001-2019)			
Population			<i>Persons</i>			<i>Percent</i>
City of Toronto	2,590,000	2,931,000	341,000	2,963,468	373,468	110%
York Region	760,000	1,276,000	516,000	1,182,525	422,525	82%
Halton Region	390,000	616,000	226,000	597,770	207,770	92%
Peel Region	1,030,000	1,516,000	486,000	1,533,961	503,961	104%
Durham Region	530,000	737,000	207,000	698,184	168,184	81%
Simcoe County	254,000	333,000	79,000	344,816	90,816	115%
Barrie	108,000	166,000	58,000	149,854	41,854	72%
Total	5,662,000	7,575,000	1,913,000	7,470,578	1,808,578	95%
Employment			<i>Jobs</i>			<i>Percent</i>
City of Toronto	1,440,000	1,600,000	160,000	1,729,000	289,000	181%
York Region	390,000	655,000	265,000	593,000	203,000	77%
Halton Region	190,000	314,000	124,000	283,000	93,000	75%
Peel Region	530,000	777,000	247,000	750,000	220,000	89%
Durham Region	190,000	287,000	97,000	239,000	49,000	51%
Simcoe County	85,000	118,000	33,000	120,000	35,000	106%
Barrie	53,000	84,000	31,000	77,000	24,000	77%
Total	2,878,000	3,835,000	957,000	3,791,000	913,000	95%

Source: Altus Group Economic Consulting based on Hemson Consulting, GGH: Growth Forecasts to 2051 (August 26, 2020), 2006 Growth Plan Schedule 3, Statistics Canada Annual Demographic Estimates