

Sent via e-mail to: minister.mah@ontario.ca

March 24, 2025

The Honourable Rob Flack
Minister of Municipal Affairs and Housing
College Park, 17th Floor
777 Bay Street
Toronto, Ontario M7A 2J3

Dear Minister Flack,

As committed partners in the provincial goal of building 1.5 million new homes by 2031, the Association of Municipalities of Ontario (AMO) and the Ontario Home Builders' Association (OHBA) are writing with proposed next steps to improve the ability to build in Ontario.

Municipalities and developers agree on the critical importance of a sustainable, predictable approach to funding municipal infrastructure at the levels necessary to support today's unprecedented levels of growth. We also agree on the centrality of a principled, transparent, efficient and consistently applied development charges (DC) regime in this system.

While Ontario's DC framework has provided a workable system for decades, a combination of economic factors now make its modernization a critical aspect of a functional development environment:

- Unprecedented increases in residential construction costs at 4 times the rate of CPI growth have required fundamental rethinks of project economics. Non-residential construction costs have also increased sharply and much faster than overall inflation, with major implications for the cost of municipal infrastructure.
- Sharp interest rate hikes over a very short period squeezed homebuyers out of the market and increased costs for builders and municipalities.
- Steep increases in land values over the past 5-10 years particularly in the GTA add costs to municipal infrastructure and raise questions regarding how much is needed and who should pay.
- Ontarians' incomes have not kept pace with these cost drivers, putting significant pressures on both the ability to buy homes and pay property taxes.

These pressures and more have pushed many developers and municipalities to the brink of fiscal sustainability, amplifying long-standing questions and tension points in the DC framework that threaten to undermine this important growth-enabling tool. Looking forward, the threat of a tariff-induced economic downturn continues to feed uncertainty and has the potential for devastating impacts on the residential construction sector. In this context, the need to improve the transparency and predictability of Ontario's DC framework in a way that makes building affordable for both developers and municipalities must be a critical shared priority for all partners.

OHBA/BILD's recently released report, "[The State of DCs in Ontario](#)," provides an important foundation on some key aspects of DC modernization. With municipalities and developers working together, there is significant potential to make near-term progress on:

- clarifying, standardizing and enhancing local service policies to promote consistency and cut down on the need for negotiation;
- improving transparency and disclosure of Benefits to Existing (BTE) estimates and calculations, and exploring opportunities for greater standardization;
- merging certain service categories to increase flexibility for both developers and municipalities;
- improving the DC freeze model; and,
- streamlining the section 20 complaint process

AMO and OHBA also believe there is merit in working together to explore adjustments to how land value is included in DC rate calculations to mitigate land's impact on rates, while also ensuring municipalities can acquire the land they need.

While the DC framework is an important element of the approach to paying for growth infrastructure, it is not sufficient to support the scale and pace of growth required to address the housing crisis and support the provincial economy. Ontario's municipalities are planning for more than \$250 billion in capital investments over the next 10 years to meet these needs. All partners in the economy – including all orders of government, the business community, builders, and lenders – need to come together for more fundamental conversations about how best to pay for these investments and deliver on this critical infrastructure.

AMO and OHBA understand that a strong and sustainable housing market requires collaboration. Effective solutions must be achievable and impactful for all partners. We want to do this work together and do it well to help get more houses built and help bring homeownership back into reach for Ontarians.

We look forward to discussing together how to move forward in these important areas. We would suggest a meeting with you at your earliest convenience.

Sincerely,



Robin Jones
AMO President



Mike Memme
Board Chair, OHBA

cc. The Honourable Graydon Smith, Associate Minister, Ministry of Municipal Affairs and Housing
Martha Greenberg, Deputy Minister, Ministry of Municipal Affairs and Housing