

May 2, 2023

Memorandum to: Mary Simpson
Region of Durham

From: Daryl Keleher, Senior Director
Altus Group Economic Consulting

Subject: Changes in Occupancy and Implications for DCs
Our File: P-7014

Introduction

Further to our meeting on April 26, 2023 regarding the Region's 2023 DC Study and in particular questions and comments with respect the population and household forecasts upon which the 2023 DC Study relies, this memorandum provides a written summary of comments regarding whether additional BTE should be allocated to DC eligible works to reflect the increased usage of existing dwellings relative to prior, but recent forecasts (as included in the Region's 2018 DC Study).

Overview of Potential Issue

The issue identified in our memorandum and raised in the April 26 meeting is similar to an issue we have raised elsewhere in Ontario in cases where municipalities with large proportions of seasonal dwellings have seen the proportion of dwelling units used for seasonal/recreational purposes converted to permanent occupancy. As one example, the Town of Wasaga Beach, in 2011, 65% of dwelling units in the Town were occupied permanently. As of the 2021 Census, that proportion has increased to 79.5%.

The result is that as units are being converted to permanent residency, the need to provide year-round services for those now permanently occupied units increases. These units, once permanently occupied, use all of the community facilities on a day-to-day basis, including roads, water supply, wastewater treatment, recreation centres, etc., that the occupants of the housing unit would likely have used differently when used as a seasonal residence.

This trend that sees the increased usage of municipal services and infrastructure through increased occupancy of existing housing units compared to how these infrastructure works were planned, regardless of the source or reason for the increased occupancy, creates issues with the funding of growth-related infrastructure in that the need is greater, but units converted to permanent occupancy, or used more than anticipated in capital planning by other means (such as appears to be the case in Durham) are not subject to DCs, even though the population is growing and generating needs for services.

The steady conversion of seasonal dwellings to permanent occupancy and other factors increasing occupancy of existing units, without an offsetting accounting for that increased usage from existing units, would serve to reduce the amount of net units generating population growth in the 'denominator' of the

DC calculation and therefore serves to increase DC rates as the capital needs are the same to service the same ultimate population.

In the case of Durham Region, the differences between gross population in new units and net population growth reveals a significant change in the expected occupancy of existing units, necessitating less growth in new units to achieve the ultimate growth planned for in each document:

	2018 DC Study	2023 DC Study	Scenario: 2023 DC Study net population growth with amount of decline in existing units from 2018 DC Study
Gross Population in New Units	251,409 persons	175,874 persons	230,367 persons
Change in Population in Existing Units	(68,454 persons)	(15,577 persons)	(68,454 persons)
Net Population Growth	182,955 persons	161,913 persons.	161,913 persons
SDE	72,667 SDE	54,016 SDE (where 1 SDE = 3.286 PPU)	Additional 54,493 gross population in new units divided by 3.286 PPU = 16,583 additional SDE Total = 70,599 SDE

Without accounting for the increased need for service attributed to these existing units through BTE, it would appear that these increased needs are being funded through higher DCs imposed on new housing units, despite the source of that growth not coming from new units (rather, from the relative lack of new units relative to demand).

The capital programs of both the 2018 and 2023 DC Study appear to be based on the 2017 Transportation Master Plan, which presumably would have been based on a breakdown of anticipated growth similar to what was presented in the 2018 DC Study. That distribution of growth, based on the forecasts from the 2023 DC Study forecasts, appears to have changed. However, without compensating changes to how the capital costs are funded, the funding responsibility has shifted even greater to new development.

To the extent that increased occupancy of existing housing units may in part be a function of constrained housing supply relative to demand, if the resulting increased occupancy of existing homes serves to then push some of the anticipated growth-related costs of servicing that population growth onto the remaining net new housing units, this may further exacerbate issues with delivering that housing supply to meet demand, including the unfulfilled demand that may be leading to higher occupancies.

A similar issue would appear to arise in municipalities that have seen forecasted average household size be higher than forecast, whether that be due to older children staying living at home longer than

expected, an increase in multi-family households, or various other reasons. Similar to the above scenario where seasonal residences are increasingly used for year-round use and generate additional servicing needs not generated by new housing development, the increased use of existing homes also generates additional servicing needs relative to what may have been anticipated for those units in master plans used to determine future servicing needs across the Region.

Similarly, while the population in these existing units may be higher than anticipated in master planning for Regional infrastructure, like in the case of seasonal conversions, where the population in existing units increases, the Region would not receive DCs to respond to this source of population growth. The only way to fund the increased servicing needs from existing homes, without passing those costs of population growth onto new homes, is through property taxes or user rates, which in the calculation of DCs is represented through the deduction for benefit to existing (BTE).

Comparison to Halton Region

In 2022 Halton Region updated its DC study, and made changes to the forecast of population decline in existing homes, which was largely unchanged from what was estimated in their 2017 DC Study, even with a shorter planning horizon from the 2017 DC Study (15 years) to the 2022 DC Study (10 years).

- Can the reasons for the change to the Durham Region estimates be provided?
- Can the reasons why Durham Region’s change appears substantially different from the equivalent forecast in Halton Region be provided?

Timing of DC Study	Durham Region	Halton Region
2017/2018 DC Studies	Decline of 68,454 persons from 233,866 units (10 years) = Decline of 0.292 per unit	Decline of 28,153 persons from 205,293 units (2017-2031) = Decline of 0.137 per unit
2022/2023 DC Studies	Decline of 15,577 persons from 255,757 units (10 years) = Decline of 0.061 per unit.	Decline of 27,752 persons from 234,455 units (2022-2031) = Decline of 0.118 per unit

Conclusions / Questions

Further to above commentary, can the methodology used to calculate the reduced decline in existing unit occupancy be provided?

Based on the above, I look forward to your response to the potential issues raised and discussing this matter further if necessary.