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## Groups Say Ontario Development Charges 'Short Sighted'

by Jim Adair

Two new studies by construction industry groups say that government-imposed development costs are "conspiring to make housing unaffordable for a growing number of families, particularly in the Greater Toronto Area."

A [report](#) prepared for the Residential Construction Council of Ontario (RESCON), written by researcher Will Dunning, says that up to 30 per cent of the cost of new housing in the GTA is due to direct and indirect government charges. Another [study](#), written by Ryerson University professor David Amborski for the Residential and Civil Construction Alliance of Ontario (RCCAO), says that regional and municipal development charges add \$30,000 to \$50,000 to the price of a new home in the Toronto area.

"These costs are among the highest in North America," says RESCON. "For example, development charges on comparable housing in other jurisdictions are \$23,418 on average in the Greater Vancouver Area; \$7,475 in Calgary; and \$1,425 in Edmonton."

Amborski says that in the U.S., where these charges are known as "impact fees," the national average for a single family home is \$8,323. California has the highest fee at \$21,648.

In addition to development charges, the groups say other government-imposed costs on housing include sales taxes, land transfer taxes, application and processing fees, building permit fees, new home warranty fees, land dedications and "a multitude of other revenue-generating mechanisms for government."

Oakville, Ont. Mayor Rob Burton told The Globe and Mail that the city charges developers the maximum amount allowed under provincial legislation because development fees haven't covered the cost of growth in more than a decade. "Local property taxpayers subsidize billionaire developers whose subdivisions make higher profits by not paying for the hospitals, transit and other infrastructure they require," he told The Globe. "Oakville's council is proud to have development charges that capture the maximum permissible amount of the costs of growth."

RESCON says Oakville's fees last year were \$50,458 for single and semi-detached homes, but the industry group study disputes the notion that builders are getting rich from their developments. "The new housing market is fiercely competitive...a large number of home builders are competing for buyers. Competitive pressures assure that builders' profit margins are low, and more important for this discussion, that any increases in costs – including government-imposed costs – become reflected in prices." Dunning says the higher cost of new housing also results in higher prices for existing homes.

"Municipalities have tended to view increases in development charges as more politically acceptable as opposed to other revenue sources such as property taxes," says Amborski. "They have low political costs. They are an indirect and hidden charge that often impact purchasers who are new residents to the community. However, what might not always be considered is that the current application and magnitudes also have the ability to work at cross purposes to other municipal policy objectives."

The current approach is "short-sighted and has some serious negative consequences," the groups say. They say the charges move home ownership out of the reach of some lower and moderate income families, and that the current system "leads to a lack of an available nearby workforce to attract employers, which in turn works against the planning objectives to have a balance of jobs and housing within a community."

The groups say development charges are applied on a per unit basis, so higher density development pays a higher

charge per hectare than low density development. "This works at cross purposes to land use policies aimed at intensification," say the industry groups.

Dunning says that if house prices in the GTA were reduced by 10 per cent, annual housing starts would increase by 4,500 to 4,750 dwelling units. This would create 7,400 new jobs, he says.

The Amborski study looks at four alternative revenue sources: larger transfers from the provincial and federal governments; shifting some charges to property taxes for what it calls "people-related" services; using full user cost charge pricing; and using "land value capture techniques", which recognise that development charges for some services such as transit lines will lead to land value increases.

"However, the application of these alternatives requires political will and understanding on the part of municipal policy analysts as well as the need for senior government initiatives, regulations and legislation," says Amborski.

"We understand that government must be able to fund the infrastructure investments, but this should not be at the expense of housing affordability," says Richard Lyall, president of RESCON. "Governments should conduct a cost-benefit analysis each time another housing charge is proposed."