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Hidden fees hike cost of new homes in GTA by as much as 30 per cent

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New home buyers in the GTA are being saddled with hidden fees that threaten to price buyers out of the market, with as much as 30 per cent of the purchase price going directly to government coffers.

But the construction industry is pushing back, saying the municipalities' appetite for development charges could derail the new-housing market by driving the average price beyond the means of most



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The charges have more than doubled in the past five years in many communities around the Greater Toronto Area, according to a pair of reports from the industry that will be released on Thursday.

Development fees are levied to raise the money for the municipality to provide infrastructure – such as roads and sewers – to support the housing. However, the cities have also funneled some of the cash toward projects such as libraries and community centres, which developers say have little to do with the actual construction of a house.

Homebuilders – who have become increasingly vocal in their critique of government policy as the new-housing market shows signs of cooling – said governments have been able to pile costs on consumers over the past several years because interest rates have been low and homes have been relatively affordable.

But with interest rates set to move higher in the next year and more buyers conscious of costs, they said, the full effect of a decade of rising fees could sideline an industry that has been crucial to the region's economic health.

"Municipalities have increasingly looked to development charges for additional revenue because these costs are indirect and hidden," states a report by the Residential and Civil Construction Alliance of Ontario.

The report estimates that home buyers in Oakville pay an average \$50,548 in development charges, with most cities surrounding the City of Toronto charging between \$30,000 and \$50,000 for each new home built. Toronto's average take is \$12,281 per house, with development charges set to rise this year after a two-year freeze.

"We're in a different position in the City of Toronto because we aren't building large subdivisions and most of the infrastructure for new homes is already built," said special projects director Joe Farag.

In Vancouver, development charges average \$23,418. In Calgary, they are \$7,475.

These figures don't include the additional costs added by the federal goods and services tax, or additional charges brought on by the new harmonized sales tax in Ontario and B.C. With those factored in, a report from the Residential Construction Council of Ontario estimates that 30 per cent of a new GTA home's cost is now determined by government charges. Canada Mortgage and Housing Corp. estimates the Canadian average is 13.4 per cent.

Oakville Mayor Rob Burton said 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. "Mike Harris gutted them in 1997," he said.

"So local property taxpayers subsidize billionaire developers whose subdivisions make higher profits by not paying for the hospitals, transit and other infrastructure they require," he said. "Oakville's council is proud to have development charges that capture the maximum permissible amount of the costs of growth."

The builders agree that the shifting of some provincial responsibilities to the municipalities led to rapidly escalating fees in the GTA, but say they should not have to bear the brunt. The president of the Canadian Homebuilders Association said builders can't simply absorb the costs, because their margins have never been thinner.

"Profit is not a dirty word," said Vince Laberge. "Politicians need to raise property taxes instead of having a social agenda funded by the new home buyer."

The reports recommend the province pay a greater share of the cost of municipal infrastructure such as fire stations and libraries, and provide more transit funding, and that municipalities implement user fees in place of development charges wherever possible. If not, they warn, development could be reduced in coming years.