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DEVELOPMENT CHARGES

# Group urges new approach

By Abbe Edelson

Municipal development charges have more than doubled during the last five years in the **Greater Toronto Area**, raising fears of a slowdown in new housing, according to two new reports by construction industry lobby groups.

The **Residential and Civil Construction Alliance of Ontario**, which represents management and labour groups, commissioned a report on alternatives to development charges. The **Residential Construction Council of Ontario**, which speaks on construction-related builder issues, released a study on government-imposed costs in the new housing market.

With a fall, 2011 election looming in Ontario, the two groups hope to prod whoever forms the next government to rethink financing of municipal services and put less pressure on new housing construction to pay for them.

"The housing market has been robust in the GTA. However, there are storm signs on the horizon, with the potential rise in interest rates," said **Andy Manahan**, executive director of the alliance. "There is a limit to how much of an increase you can pass on. If you double development charges, certain projects will never get built." In light of the province's **Places to Grow Act** that identifies growth centres across the **Golden Horseshoe**, said Manahan, "where the province is encouraging compact urban growth, they need to do more to assist municipalities with the funding of infrastructure."

He added "we understand the problems municipalities face and that they need stable and predictable funding. We are exploring alternatives such as public-private partnerships."

**David Amborski**, a professor of urban and region planning at **Ryerson University** who prepared the report for the construction alliance, told *NRU* that development charges are often hidden from the view of new home buyers.

"Municipalities are facing pressure to find other revenue sources, they don't want to raise property taxes. So they raise development charges which has the least political fall-out," he said. "If you can put a tax on new housing, people don't realize how it impacts the cost of a new home. It is a way to raise revenue with the least political impact."

But Amborski warned that the issue of development charges also has ramifications for economic development and employment. "With a lack of affordable housing, there will not be an available workforce and employers are not likely to locate in the community," Amborski told ***NRU***.

According to the report, "in Ontario, residential development charges are based on the type of unit or number of bedrooms, and may be applied uniformly across a municipality or to a specific district. At most, municipalities can collect fees equivalent to 100 per cent of the growth-related capital costs for water, sewers, highways, electrical power, police and fire prevention required for the development, plus 90 per cent of other capital costs." In the report, Amborski cited recent data that "indicate the highest development charges exist in Halton Region." Oakville had the highest total development charges of $50,485.16 compared to $12,281.00 in the **City of Toronto**. The fees in Halton cover regional, education, **GO Transit** and local municipality charges. Development charges are lower in Toronto because infrastructure is already in place, noted Mr. Manahan.

In making reference to Halton, Amborski also raised concerns about the region's use of what he describes as an additional surcharge for the Halton Urban Structure Plan area.

However, **Jane MacCaskill**, commissioner of corporate services and regional treasurer for Halton rejected the suggestion that her jurisdiction imposes a surcharge. "Anything that is under development in the HUSP area, the developers had to pay an additional upfront fee for the cost of new infrastructure. When they build, they recoup the fee," she told ***NRU***.

According to MacCaskill, "the refundable fee pays for infrastructure greenfield properties under development in north Oakville and Milton. Milton has been growing fast. We charged this fee instead of raising property taxes," she said. She observed that development charges, so far, have not deterred builders from coming to the region. The last allocation of development charges, she said, "was completely subscribed."

In his report, Amborski recommended alternatives to raising development charges. For example, he said, "you could use full-cost pricing which involves a user fee to pay capital costs. Homeowners would be responsible for the costs, which would be reflected in the cost of the use, but not in the price of the house."

Another option, he said, is the use of 'value capture,' a technique used to finance high-cost transit. With public investment, the value of the land increases, he said, with increased property taxes used to fund the project. He said "Metrolinx is currently looking at this as a financing tool."

Amborski pointed to other innovative options already used in San Francisco and Boston. "They charge 'linkage fees' for new office development. With new offices, there are not only executives and middle managers, but also low paid clerical workers," he said. "The linkage fee is used to fund affordable housing, so clerical workers can find affordable housing."

Without such innovative policies, Amborski warned that "places like Oakville with high development charges may not be able to meet their targets for intensified growth. What employers will want to locate there?" He suggested that "something must be done to mitigate the increase in development charges."