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Government Fees, Levies and Regulatory Costs Driving Up Housing Prices in the GTA

TORONTO (March 9, 2011) – Housing prices in the Greater Toronto Area have more than doubled since 1998, and two new studies released today reveal that the provincial and municipal governments have fuelled much of this increase through a myriad of fees, charges and regulatory costs that ultimately are borne by new homebuyers.

The two studies conclude that these government-imposed costs are conspiring to make housing unaffordable for a growing number of families, particularly in the GTA.

A report prepared for the Residential Construction Council of Ontario (RESCON), written by housing expert Will Dunning, estimates that up to 30% of the cost of new housing in the GTA is now attributable to direct and indirect government charges.

Another study, written by Ryerson professor David Amborski for the Residential and Civil Construction Alliance of Ontario (RCCAO), notes that regional and municipal development charges alone now add $30,000 to $50,000 to the price of a new home.

Here's what the total development charges were for single and semi-detached homes in various GTA communities last year:

Oakville	$50,458	Richmond Hill	$39,634
Markham	$46,457	Mississauga	$34,610
Milton	$43,399	Ajax	$31,801
Newmarket	$41,528	Uxbridge	$31,153
Vaughan	$41,245	Whitby	$30,873
Burlington	$40,181	Pickering	$30,155
Brampton	$40,180	Oshawa	$27,212

These costs are among the highest in North America. 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; In the U.S., the national average is $8,328 with the two highest state averages being California at $21,648 and Florida at $8,974.

Similar increases are evident in new high rise construction. In addition to development charges, 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. While many of these charges are levied on the construction industry, the costs are passed onto homebuyers in the form of higher housing prices.

Government-imposed costs on housing have doubled, and in some cases tripled, over the last decade. The reason? Faced with mounting fiscal pressures, governments have increasingly looked to housing for additional revenue because often these charges are not transparent to consumers, unlike property tax increases.

But this approach is short-sighted as it has serious negative consequences:

- As house prices escalate, home ownership moves beyond the reach of an increasing number of lower and moderate income families.

- A lack of affordable housing 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.

- Development charges are applied on a per unit basis. Consequently 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

- Higher prices slow demand, reduce employment within the construction industry and suppliers. The Dunning study estimates that if house prices in the GTA could be reduced by 10%, annual housing starts would increase by 4,500 to 4,750 dwelling units. This would create 7,400 new jobs.

“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.”

Andy Manahan, Executive Director of RCCAO, says the dramatic increases in fees, charges and regulatory costs are unsustainable and penalize working families. “Governments should consider alternative funding mechanisms that will help alleviate the upward pressure on new home prices.”

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The two studies released today are:

*Consequences of Government-Imposed Costs Within the New Housing Market***,** written by Will Dunning, prepared for the Residential Construction Council of Ontario (RESCON).

Alternatives to Development Charges for Growth-Related Capital Costs, written by David Amborski, prepared for the Residential and Civil Construction Alliance of Ontario (RCCAO).

Both studies are available at either www.rescon.ws or www.rccao.com.

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RESCON and its affiliated associations are the industry voice on all key construction-related builder issues and interests. The members of RESCON are based in southern Ontario, the heart of the building industry, a region that generates approximately one-third of all housing starts in Canada.

RCCAO is an alliance composed of management and labour groups in the construction industry. Its goal is to work in cooperation with governments and related stakeholders to offer realistic solutions to a variety of challenges facing the sector.