July 8, 2013

Bruce McCuaig
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Re: Metrolinx Investment Strategy

The Ontario Home Builders' Association (OHBA), the Building Industry and Land Development Association (BILD) and the Hamilton-Halton Home Builders' Association (HHHBA) are disappointed that the Metrolinx 'Big Move' Investment Strategy makes transit-oriented communities less affordable by imposing additional charges, levies and taxes on new home buyers and new businesses. We strongly oppose the proposed revenue (tax) tools which disproportionately target new home buyers and new businesses across the GTHA. This is an inequitable and unfair approach that will embed the cost of infrastructure, meant to last upwards of 75 years, into the amortized mortgages of new home purchasers or onto the costs of new employment centres. The new housing, land development and professional renovation industry will vigorously oppose an investment strategy, which includes, substantial changes to the Development Charges Act and an additional new one per cent regional sales tax that will erode affordability of new homes, mixed-use communities and new employment centres across the GTHA.

Previous Industry Recommendations

In our original submissions to Metrolinx, the industry recommended a variety of revenue tool options and a re-allocation of provincial and municipal priorities that we thought were appropriate, equitable and fair. OHBA, BILD and HHHBA are disappointed our advice was not heeded, but wish to briefly reiterate our primary recommendations:

- Fiscal tools should be appropriately partnered with planning tools to support intensification as well as ensuring municipal policies, including zoning by-laws and official plans, are up-to-date;
- "Land value sharing" with specific conditions and pre-zoning at appropriate densities;
- *Reduce* development charges in specific locations as an incentive to drive transit-oriented development around transit stations and corridors;
- Implement an income tax/employer payroll tax applicable to residents of the GTHA and an increase in property tax, applicable to all Ontarians;
- Direct partnerships between Metrolinx and the private sector to leverage additional value in mobility hubs and transit corridors;

- Leverage additional value through the development of public land holdings;
- Advocacy for the federal government to implement a National Transit Strategy;
- Continued investment in transit from the general (and progressive) provincial tax base;
- Parking space levy applied to public parking facilities;
- Increase provincial allocation from existing gas tax to municipalities or to Metrolinx;
- Recognition of current financial contributions of development industry through our consumers to municipal and provincial transportation infrastructure;
- Support for Tax Increment Financing in areas immediately surrounding stations and corridors;
- Shift public policy priorities so that existing 'money-in-the-system' is reallocated as a 'transit-first' public policy priority (i.e. shift portion of cash-in-lieu of parkland fees to transit).

An Inequitable and Unfair Approach to Generating Revenue

While the Metrolinx Investment Strategy suggests that the average resident of the GTHA will pay $477 in new taxes, charges and fees; new home buyers and new businesses will take on costs that are completely disproportionate to existing residents and businesses. For example, for a new home buyer in Markham, the Metrolinx Investment Strategy could add up to $15,000 in new charges. This is on top of the $118,400 in average government imposed charges already included in the price of a new home across the GTHA. In fact a recent report by the Altus Group found that on average, government imposed charges represented 23 per cent of the cost in new low-rise communities and 20 per cent of the cost in new high-rise communities.

New home buyers and new businesses are already paying their fair share. We estimate new home buyers and new businesses paid more than $1 billion in Development Charges in the GTA to municipalities in 2012 alone for the construction of growth related infrastructure. OHBA, BILD and the HHHBA contend that there is no new money to be found in a system where nearly one quarter of the price of a new home can be attributed to taxes, charges and fees.

Industry as a Partner / Re-Allocating Resources in a 'Transit-First' Approach

In an OHBA submission, and subsequent BILD submission, to Metrolinx in April 2013, we had stated that the residential construction industry is a key partner for the government to achieve the objectives of Metrolinx. Our industry provides new residents/businesses and transit riders to both new, and existing, transit lines by constructing new homes, condos and mixed-use developments at appropriate densities and brings new population and employment opportunities to serve transit corridors and mobility hubs. The industry has further recommended that Metrolinx take a more active role supporting intensification and transit-oriented development in *Mobility Hubs* and in the immediate vicinity of transit stations and corridors. We noted that there were significant opportunities to shift government priorities through a modernization of planning and fiscal tools to re-allocate resources already in the system to a 'transit-first' approach. We are disappointed that rather than strengthening its role as a partner to industry in actively supporting complete communities and transit-oriented development, the Metrolinx Investment Strategy is a taxes, tolls and tariffs report that specifically targets the new housing and development industry.

Impact of Proposed Investment Strategy on New Home Buyers and Renovation Consumers

The Province has created a growth plan and a regional transportation plan, 'The Big Move' to promote transit-oriented communities, fight sprawl and reduce congestion. The new housing, land development and professional renovation industry believes the proposed new revenue tools are counter-productive to the goals and objectives of both plans. OHBA, BILD and HHHBA are specifically opposed to:

- An increase of one per cent to the sales tax that will substantially increase the cost of new housing in the GTHA while driving more renovations into the underground economy. In May 2013, the RealNet New Home Price Index for a new low-rise home was $644,427, meaning an increase of one per cent to the sales tax would increase taxes on that new home by $6,444. A new condo in a transit-oriented community based on the May 2013 RealNet New Home Price Index, is on average valued at $431,995, meaning an increase of one per cent to the sales tax would be a $4,320 tax increase in the very communities that the provincial government purports to support through provincial planning policy.

- Metrolinx recommends amendments to the Development Charges Act and has suggested an approximately 15 per cent increase would yield $100 million in revenue. OHBA is opposed to opening the Development Charges Act for legislative review, especially if additional revenue from an already out-of-control system is the objective. OHBA notes that the purpose of the 10 per cent discount for transit services is due to a clear recognition that new infrastructure also benefits existing residents. Current development charges (lower tier, upper tier, education and GO Transit) total $58,929 in Oakville, $63,505 in Brampton, $62,391 in Markham, $35,590 in Ajax, $35,682 in Binbrook Hamilton and the Toronto rate is $19,956 (currently proposed to double). A 15 per cent increase to these charges represents nearly $10,000 in new taxes in a number of GTA communities. The current application of development charges is not structured to support or encourage provincial land-use objectives and the proposed cash grab by Metrolinx will only exacerbate the situation.

- Lastly, OHBA and BILD, in our April 2013 submissions to Metrolinx, had stated our support for "land-value sharing" if a number of specific conditions were met. Given the massive tax increase on new home buyers and new businesses proposed through increases to the sales tax and to development charges, it is clear that the new housing and development industry is not considered to be a partner and we are therefore now opposed to implementing an additional revenue tool that would further erode affordability in transit-oriented communities.

Metrolinx incorrectly described development charges on page 69 of the Investment Strategy as, "fees paid by developers to municipalities to fund the capital costs of servicing new development with sidewalks, roads, sewers and other infrastructure." This is not accurate and the mischaracterization does not serve the public, stakeholders, or the government in having a mature conversation regarding the impacts of the proposed revenue tools on the public. The Metrolinx Investment Strategy further states that, "development charges are a key way for the private sector and business to contribute to local infrastructure funding needs, including transit." It is time for Metrolinx, and all levels of government, to acknowledge that it is not the developer that will cover these costs and that the charges are passed through to the end-user who will embed those charges into their mortgage. On June 24th, Councillor Peter Milczyn, chair of Toronto's Planning and Growth Committee, correctly articulated that, "we have to be careful how we implement the [proposed development charge] increase. What many people assume is the developers pay. Well, the reality is purchasers pay."

OHBA, BILD and the HHHBA are very concerned that the Metrolinx Investment Strategy does not accurately provide the government or the public the complete picture in terms of the impact on new housing purchasers. While the average resident of the GTHA will pay $477 in new taxes, charges and fees, new home buyers and new businesses will take on costs that are completely disproportionate to existing residents and businesses. Based on the Metrolinx Investment Strategy recommendation to increase development charges by 15 per cent and increase the sales tax by one per cent, OHBA, BILD and HHHBA have estimated the potential impact on new home purchasers and mixed-use developments in a number of communities to be as follows:

Metrolinx Investment Strategy Impact on New Home Buyers Single Family Dwellings						
Municipality	Oakville	Brampton	Markham	Ajax	Toronto	Hamilton
Average New Home Price	$590,000	$490,000	$600,000	$460,000	$540,000	$526,000
Lower/Single Tier DC	$18,957	$25,351	$19,950	$12,029	$19,412	$33,674
Upper Tier DC	$35,275	$35,532	$40,107	$20,940	n.a.	n.a.
Education DC	$3,665	$2,146	$2,020	$1,964	$544	$1,770
GO Transit DC	$1,032	$476	$314	$647	n.a.	$229
Total Current Development Charges	$58,929	$63,505	$62,391	$35,580	$19,956	$35,682
+ Metrolinx 15% DC Increase	$8,839	$9,525	$9,359	$5,337	$2,993	$5,352
+ Sales Tax Increase 1%	$5,900	$4,900	$6,000	$4,600	$5,400	$5,260
+ Land Value Capture	+++	+++	+++	+++	+++	+++
Metrolinx New Neighbour Tax	**$14,739+**	**$14,425+**	**$15,359+**	**$9,937+**	**$8,393+**	**$10,612+**

The estimates in the chart above (unlike the incomplete chart on page 74 of the Metrolinx report suggesting what consumers will have to pay for the Big Move) clearly demonstrate that the investment strategy is inequitable and unfair to new home buyers and will result in less affordable transit-oriented communities.

Conclusion

OHBA, BILD and HHHBA are very disappointed in the approach taken by Metrolinx to specifically target new home buyers and new businesses to fund a disproportionate share of the Big Move. OHBA strongly believes that there are tremendous opportunities to update the current planning and infrastructure financing system to reallocate out-of-date policies towards a 'transit-first' set of priorities. The Metrolinx Investment Strategy failed to consider a paradigm shift in terms of financing infrastructure and building transit-oriented communities in favour of a strategy to increase taxes, charges and fees on new home buyers and new businesses. OHBA is opposed to the Metrolinx Investment Strategy, and we will now focus our efforts on educating the government on the far reaching impacts of these proposals on new home buyers, new employers and renovation consumers.

Sincerely,

Joe Vaccaro	Bryan Tuckey	Mathieu Langelier
C.O.O.	President & C.E.O.	Executive Officer
OHBA	BILD	HHHBA

c. Premier Kathleen Wynne
c. Hon. Glen Murray, Minister of Infrastructure and Transportation
c. Hon. Linda Jeffrey, Minister of Municipal Affairs and Housing
c. Hon. Charles Sousa, Minister of Finance

Attachments:
1. OHBA April 2013 Submission to Metrolinx
2. BILD April 2013 Submission to Metrolinx
3. BILD May 2013 Letter to Metrolinx
4. Joint BILD-OHBA Press Release in response to Metrolinx Investment Strategy