



Review of the Development Charges System in Ontario

Submission to the Provincial Government on the Development Charges System Consultation

Prepared by the:
**Ontario Homes Builders' Association, and the
Building Industry & Land Development Association**

In conjunction with the other 30 OHBA Local Associations:

- Bluewater
- Brantford
- Chatham-Kent
- Greater Dufferin
- Durham Region
- Grey-Bruce
- Guelph & District
- Haldimand-Norfolk
- Haliburton County
- Hamilton-Halton
- Kingston-Frontenac
- Lanark-Leeds
- London
- Niagara
- North Bay & District
- Greater Ottawa
- Oxford County
- Peterborough & the Kawarthas
- Quinte
- Renfrew
- Sarnia-Lambton
- Saugeen County
- Seaway Valley
- Simcoe County
- St. Thomas-Elgin
- Stratford & Area
- Sudbury & District
- Thunder Bay
- Waterloo Region
- Greater Windsor



Submitted to: Honourable Linda Jeffrey
Minister of Municipal Affairs and Housing
January 2014

About OHBA

The Ontario Home Builders' Association (OHBA) is the voice of the new housing and professional renovation and land development industry in Ontario. OHBA represents over 4,000 member companies, organized through a network of 31 local associations across the province. Our membership is made up of all disciplines involved in land development and residential construction including: builders, renovators, trade contractors, manufacturers, consultants and suppliers. The residential construction industry employed over 322,000 people and contributed over \$43 billion to the province's economy in 2012.

OHBA is committed to improving new housing affordability and choice for Ontario's new home purchasers and renovation consumers by positively impacting provincial legislation, regulation and policy that affect the industry. Our comprehensive examination of issues and recommendations are guided by the recognition that choice and affordability must be balanced with broader social, economic and environmental issues.

OHBA members are critical partners to the Provincial Government and municipalities in the creation of complete communities and transit-oriented development that will support the implementation of the Provincial Policy Statement and other Provincial Plans.

About BILD

With more than 1,400 members, the Building Industry and Land Development Association, one of OHBA's largest local associations, is the voice of the land development, home building and professional renovation industry in the Greater Toronto Area. BILD represents the residential, non-residential, retail and mixed-use sectors, and many of the recommendations in this report reflect comments and input provided by these members.

We are committed to improving new housing affordability and choice for Ontario's new home purchasers and renovation consumers by positively impacting provincial legislation, regulation and policy that affect the industry. Our comprehensive examination of issues and recommendations are guided by the recognition that choice and affordability must be balanced with broader social, economic and environmental issues.

Our members are critical partners to the Provincial Government and municipalities in the creation of complete communities and transit-oriented development that will support the implementation of the Provincial Policy Statement and other Provincial Plans. Our members live, work and play in the municipalities that make up their communities, and our comments should be taken in balance with the fact that we not only do business in the cities, towns and villages in Ontario, we also live and raise our families there.

Acknowledgements

We would like to take this opportunity to thank the numerous members who shared their extensive knowledge and expertise, and submitted invaluable comments to assist in the preparation of this report.

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Member Consultation

In an effort to prepare a comprehensive response to the Development Charges System in Ontario, the Ontario Home Builders' Association solicited the feedback of its local Associations. Several meetings took place over the course of the consultation period to obtain the feedback that is consolidated in this document, including:

November 8th – BILD Land Council meeting

November 18th – Waterloo Region Home Builders' Association consultation meeting

November 19th – Hamilton Halton Home Builders' Association consultation meeting

November 29th – London Home Builders' Association consultation meeting

December 9th – Greater Ottawa Home Builders' Association consultation meeting

December 12th – OHBA/BILD Consultation Steering Committee Meetings

In addition to these Association meetings, a number of working group meetings were held with industry representatives on specific policy themes and numerous written submissions were received.

This submission represents the key points where member consensus emerged in the consultation process. Many points were raised by members that were either outside the scope of the government review or represent further more detailed points.



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SUMMARY OF ISSUES

The Province has implemented: a *Greenbelt Protection Plan*, the *Growth Plan for the Greater Golden Horseshoe*, the *Northern Growth Plan*, a new *Endangered Species Act*, *Clean Water Act*, *Lake Simcoe Protection Act*, overhauled the *Provincial Policy Statement* in 2005 with the next edition anticipated in 2014, created Metrolinx and established a *Regional Transportation Plan* in the GTHA as well as implementing significant changes to the *Planning Act* and OMB appeals process through the *Strong Communities Act* and *Planning and Conservation Land Statute Amendment Act*. The cumulative impacts of these changes are significant and the new communities built in Ontario today are very different from those built a decade ago.

The review of the land use planning and appeals system as well as the development charges system provides an opportunity to consider streamlining improvements and ensure that municipalities are implementing provincial policy, while enhancing accountability and transparency. We believe that our recommendations will improve the financial tools used in the land use planning process. This submission will recommend a number of legislative and regulatory changes to achieve more predictability, transparency and accountability and most importantly, better outcomes for new neighbours – both new home owners and new businesses – and communities across Ontario.

This submission responds to the part of the process launched by the provincial government reviewing: The *Development Charges Act*, Section 37 of the *Planning Act*, Sections 42 and 51.1 of the *Planning Act*, and non-voluntary payments not legislated under the tools otherwise noted.

The purpose of the review is to investigate these tools to ensure that government legislation is up to date and is responsive to the provincial priorities around complete communities and the provincial themes of affordability, economic growth, and transparency and accountability. Our industry continues to develop communities that support the shift in government policies and development goals in the last decade to promote complete communities through growth planning principles, intensification and mixed-use development near or in centres and corridors.

As part of a complete community, we believe that the Province should recognize that there are great opportunities to enhance the use permissions to include, among other uses, mixed-use (office, retail, residential, etc.) to achieve mutual development objectives. Also, all elements of growth, such as assessment and water and sewer rate increases must be part of a financial toolkit to build the infrastructure needed for complete communities. Municipalities must be committed to build the infrastructure required to meet Provincial growth forecasts.

The global nature of investment is being recognized by the province as it also seeks to create a better business environment for international investment. For instance, the Province has demonstrated leadership in attempting to identify investment ready land as part of the ‘Ontario Certified Site Program’, launched by the Ministry of Economic Development, Trade and Employment. However, there seems to be a lack of recognition that it is ultimately the municipality that determines local investment flows as development charges, Section 37, parkland dedication, permits and other local approvals, fees and taxes are the main cost drivers for site investment. Therefore, while the province can identify “investment ready sites”, without provincial involvement it has a very limited capacity to actually affect site-specific investment outcomes.

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SUMMARY OF INDUSTRY RECOMMENDATIONS

Highlights of the industry recommendations are found in the following few pages. The complete set, and related explanations are found in the body of the submission.

New Neighbours Tax – How Much do they pay?

- The provincial government should change the name of the *Development Charges Act* to the *New Neighbour Tax Act* in order to provide clarity to Ontarians about the purpose, intent, and cumulative effect that these charges have on families being able to afford a new home or businesses being able to invest in new jobs in Ontario.

Development Charges – Affordability, Transparency & Accountability for our New Neighbours

- The new neighbour – new homeowner and new employer - should receive a direct accounting from the development charge reserve fund as to what infrastructure their payments contributed to, along with the construction schedules and estimated project completion for all projects that receive development charge funds.
- A public meeting should be required, by Regulation, to review the development charge reserves and project lists in a development charges background study so that residents are fully aware of the contribution of infrastructure by new developments in their community.
- In the event that a listed project does not get included in the capital budget for the year anticipated in the background study, the development charge shall be required to be amended in the manner set out in the Act. The item should be eliminated, and the funds should be transferred to another current development charge project within the capital budget with similar timing.
- The process should be amended to require mandatory and regular consultation with stakeholders, where stakeholders shall have access to all detailed input background information.
- No provincial infrastructure, including hospitals, shall be eligible for inclusion in the charge and the Act should stipulate this exclusion specifically.
- A Best Practices Manual related to the development charges by-law review process should be developed by the Province with consensus input from the consultants and stakeholders who are employed by the municipalities and the industry.
- Provincial mediation services and/or the services of the Office of the Provincial Development Facilitator should be available to resolve disputes arising in the development charge by-law review process.
- Reserve funds should track each project on an annual basis recording all funds received and spent, and any deviations including additional costs anticipated and variances in timing. In the event that there is a deviation in excess of 20 per cent, the project must be the subject of a public meeting and report to Council, with a potential amendment to the corresponding development charge by-law.
- The Regulations should specify that any requirements imposed upon growth-related infrastructure by the Ministry of the Environment or equivalent, or by a Conservation Authority shall be borne equally and pro rata by all taxpayers. This would ensure a proper benefit to existing attribution.



- The Regulations should provide that contingencies and engineering fees are limited to those expended in previous similar tendered contracts, and should set standards for service levels for soft services. This would ensure accountability.
- Where borrowing costs are included in the development charge background study, these costs must be used for municipal borrowing for development charge eligible projects.

Co-Mingling of Service Categories & Inclusion of Non-DC eligible items in Municipal DC by-laws

- Regulations should be clarified to confirm that service categories should not be combined for the purposes of the development charge calculation. When this occurs, it results in a flawed and inflated rate.
- Municipalities must uphold the legislative intent of the *Development Charges Act*, and refrain from including ineligible and items that are not permitted.

Development Charges - Social Housing & Asset Replacement (Rolling Stock)

- The Province should consider whether it is appropriate to include social housing and police vehicles in the development charge. If it is to be included, all details regarding the nature and location of the proposed projects must be included in the development charge background study in order to provide confidence that the Region intends to ensure that the projects and/or facilities will be provided as already required by Regulation.
- Development charge revenue must not subsidize asset replacement and the policy basis around the asset replacement requirements for a municipality must be better defined.

Development Charges Review Timelines

- The background study review process should be amended to require a minimum of six months for public consultation, including monthly consultation with stakeholders where draft documents are made available to the public for comment. This should be over and above the prescribed statutory public meeting requirements for the general public.
- The *Development Charges Act* should be amended to provide that the reserve fund accounting section require that a minimum of one annual meeting be held with stakeholders to review the debits and credits for each item in each reserve fund for the previous year.
- Five year by-law review periods should be maintained and reinforced at five years, and no new by-laws outside this framework should be introduced.

Development Charges - Transition, Grand-fathering & Phase-In Provisions

- Grand-fathering provisions should apply for complete applications as defined by the *Planning Act* that were submitted prior to any new by-law being enacted.
- Transition, whether it be from one generation of by-law to the next, or as a result of changes to legislation that may arise in the context of this discussion, should be regulated and should not be treated as a negotiation tool.
- Where there are variances in excess of 20 percent of a development charges budget, or where project timing, parameters or viability change, the impact of increases in transition between by-laws should be minimized. Where such increase exceeds 20 percent, it should be capped as it would not have received



the appropriate scrutiny during the by-law period. Where transition is due to legislative change, the by-law should be extended as necessary to allow all by-laws to be brought up to date within 1.5 years.

- Mandatory phasing of a development charge should also be instituted. Where there is a percentage of development charge increase of 20 percent or more, Councils should be required to approve a phasing of the new development charges by-law.

Development Charges - Categories & Unit Types

- It is recommended that a municipal requirement be mandated for a consistent set of categories within the residential and non-residential sectors where the development charges would apply, with the objective of supporting an equitable contribution from each new neighbour.
- Many members have expressed concern for the methodology of using unit versus another mechanism such as square footage to determine development charges. We recommend that this provincial review is an opportune time to re-evaluate the metrics used for calculating development charges.

The 10% Co-Payment for Soft Services & The 10-year Average Historic Level of Service

- The industry would be prepared to explore other options that would ensure that there is transparency and accountability in establishing the inputs to growth related infrastructure for the full life cycle of the asset, with the caveat of a specific framework being acknowledged and applied, as elaborated upon within the body of this submission.

OMB & Divisional Court Decisions: Gross vs. Net DC Methodology for Soft Services

- Municipalities should not be permitted to impose a development charge which has been calculated using gross population increases, or any related alternative-hybrid methodology.
- The Regulations should be amended to prescribe that net population increases should be used to calculate “soft service” development charges.

Development Charges as a Funding Source for Transit

- For municipalities that are just starting to create light rapid transit and other higher-order transit projects, it is recommended that they need to demonstrate that they also have the capacity to actually fund these items from their property tax base on a continuous basis.
- Transit should not be included in a local development charge unless funded in equal pro-rated shares by existing and new residents and businesses as a benefit to the existing population.
- Transit options should be subject to provincial scrutiny in the same manner as was done with infrastructure grants to ensure that they choice of transit capital best matches the benefit and can be cost justified.

Development Charge Matters Specific to the Employment & Non-Residential Sectors

- We recommends that for employment and non-residential sectors, municipalities should be providing services based on the type of growth that is predicted and not based on historical growth patterns which provides no substantive evidence for the level of service requires for the future.



Mixed Use Development Rate

- Special consideration should be paid to mixed-use development projects that are in keeping with the provincial, regional and municipal policies to promote intensification and growth plan principles. The province should support mixed-use developments by encouraging municipalities to adopt a reduced development charge rate offset by the benefits of a live, work, shop and play community.

Non-Voluntary Payments

- The *Development Charges Act* shall state that it, along with provisions found in the *Planning Act* and the *Municipal Act*, represents a complete code for the funding of growth related infrastructure and any other payment outside of this code shall be deemed illegal with the right to go to court by application to determine the legitimacy of the payment, where desired.
- The *Planning Act* and *Places to Grow Act* should be amended to provide that servicing allocation cannot be withheld where the proper *Planning Act* approvals are in place. Section 41 and 52 of the *Planning Act* should include a section that clearly states that conditions of approval should not relate to service allocation. The appropriate legislation should also be amended to include a provision to reflect that if there is not an approved development charge in place, infrastructure delivery and servicing allocation cannot be withheld.
- In the case of a willing payor, the *Development Charges Act* should be amended to say specifically that any funds provided outside of the Act are to be recorded as debt, regardless of whether there is an explicit guarantee of repayment by the municipality.

Section 37 (Density Bonusing) Agreements

- We recommend that Section 37 not apply to development applications that are in conformity with the Provincial Growth Plan.
- In the North York Centre Secondary Plan, there is an established protocol applied to development applications that are seeking additional densities. The benefitting and positive principles of the North York Centre Secondary Plan should be examined, and be the basis for establishing a consistent and predictable application for Section 37 on new developments.
- Municipalities should only be allowed to access Section 37 when a municipality has established a development permit system or has updated their zoning to be consistent with the requirements of *The Planning and Conservation Land Statute Law Amendment Act (Bill 51)* which requires zoning to be updated within 3 years of an Official Plan update.
- We recommend that when there is no development permit system in place, or the municipality has not brought its zoning into conformity with either an Official Plan that is in conformity with the Growth Plan, or Provincial Policy Statement (whichever applies) then bonusing only applies where height and density exceed the Official Plan or what could be reasonably contemplated by the Growth Plan or Provincial Policy Statement.
- We recommend that Section 37 contributions be invested by a specific date and that the community be provided with an assurance that the funds collected will be spent on community improvement projects. If the projects do not proceed, the funds should be returned to the applicant. To support this recommendation of a specific date and use of the Section 37 contribution, funding should be posted by way of a letter of credit. This will incent the municipality to complete the community improvement within its proper use and time frame, reflecting its true intent.



- Section 37 funds should be spent in areas of most need and in close proximity to the project.
- Municipalities should be required to create community needs assessments, based on public interests, for projects that would benefit from Section 37 funding. Section 37 funding should not be collected in perpetuity for unassigned projects. As part of a needs assessment, geographical proximity of the proposed community improvements must be taken into account to ensure that those that are paying for the new improvements have the appropriate access. A definition of “close proximity” should be provided to ensure that any community improvements are in fact in close proximity to the development site.
- A reasonable Section 37 negotiation package should be made at a consultation meeting, well in advance of a final staff report being finalized. This will ensure that no surprise additional costs are absorbed by the new neighbours or are incurred very late in the development approval process without a clear rationale. Last minute negotiations should not be permitted. Also, elements related to Section 37 agreements must be identified in the staff reports related to the project-specific zoning by-laws.
- Yearly reporting by the municipality, and a ceiling or cap on any valuation of the Section 37 benefits is recommended.
- In a situation where the height or density of the building has been reduced from a predetermined Section 37 negotiation, a reduction in amount of Section 37 monies should apply.

Parkland Dedication

- The *Planning Act* should be amended to establish a new maximum limit for the amount of cash-in-lieu of parkland that could be taken by the municipality. We recommend that municipalities cap their parkland dedication fees at 5 to 10 percent of the value of the development site or the site’s land area as was done in the City of Toronto.
- Alternative standards that are being used by municipalities should be capped to harmonize with the 5 percent land area provisions in keeping with the original intent of this *Planning Act* provision.
- Parkland dedication by-laws, similar to many other municipal by-laws, must be appealable.
- The Province should consider additional policy guidance for parkland dedication provisions which look at requiring that the rate be based on persons per unit and not units. Smaller apartments should not be treated the same as larger apartments, townhouses or semi-detached dwellings.
- In accordance with Provincial Growth Plan initiatives, as the density of sites increase, rates should decrease in order to incent greater levels of intensification.
- Funds from municipal parkland cash-in-lieu accounts should only be used for parkland needs which arise from growth. In the interest of transparency and accountability, any funds previously misspent from cash-in-lieu accounts must be repaid.
- The municipality should be required to prepare a community needs assessment for parkland. This assessment should include an evaluation of the benefit to the existing population by reviewing the catchment area for any new parks. In turn, a reduced proportional share of the costs associated to the new park should be applied to the new development. This will help to provide a more appropriate balance between the needs and desires of existing residents. Outlining a strategy for obtaining parkland early in the development of a community will also ensure that the municipality is receiving the best value for its parkland acquisitions. Parkland dedication should be restricted to the parkland needs generated from growth and should not subsidize the parkland needs of existing residents.

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- Other mechanisms that could be considered include sliding scales dependent on a needs analysis for a particular community and/or neighbourhood.
- The formula for the calculation of land value for parkland should be based on no more than the average price of the actual cost of acquisition of land to provide for parks in the municipality (i.e. not land zoned for high-density, but rather lands where the majority of parks are provided, being in traditional ground related single family developments). The City of Brampton has a high rise rate that uses a reduced percentage of the value of the land which is also worthy of strong consideration across municipalities.
- We recommend that the Minister of Infrastructure exercise the ability to amend the Growth Plan to establish a mandatory approach to parkland dedication within intensification areas.
- Off-site dedication should be used to satisfy parkland requirements. Such an approach would allow for parkland to be located nearby, but outside of, the nodes and corridors within which intensification is to be focused, and would accordingly contribute to greater intensification in the locations that would most directly support transit and other intensification objectives.
- Strata Parks should be used to satisfy parkland dedication requirements. This would support efficient land use patterns and be in keeping with the provincial Growth Plan objectives for intensification.
- Greater flexibility in the definition of acceptable parkland dedication is needed. In an urban context, greater flexibility is needed to allow for a range of park types and locations. Lands which may be accepted as parkland should include, with any appropriate discounts, lands above private underground parking facilities, woodlots, trails, floodplains and so on that can be used to fulfill public parkland functions. Additionally, both “active” and “passive” parkland should be permitted to meet the needs of municipal parkland dedication requirements.
- Consideration for the provision of private recreational facilities in the calculation of required parkland or cash-in-lieu is necessary. Where developments provide facilities, such as open spaces, exercise equipment, easements over open space in condominiums land for public through fare, etc., a discount on parkland requirements or levies should be provided or a tax rebate should be provided back to the new homeowner representing the capital/operating savings to the municipality.
- Sustainable development features should be given credit towards parkland contributions.
- The requirement in Section 42(6.4) of the *Planning Act* is that cash-in-lieu be calculated as of the day before a building permit is issued needs to be amended. At this point, a project has received all of its development approvals, which means that cash-in-lieu is calculated when the value of land is at its highest, ultimately having the largest financial impact on the new neighbour.
- The municipality should be required to report annually to the new homeowners and new employers what their parkland funds have provided. These reports should illustrate where parkland funds came from (applicant and geography) and how the dollars were spent or pooled into other accounts including how parkland was delivered by a municipality. This direct accountability is necessary for both the new neighbours and the established community to facilitate a great understanding of the value and benefit new developments bring to the entire municipality and in creating complete communities.
- The parkland formula should be amended to reflect the necessary green space that developers must set aside. Ultimately, the land efficiency of an application will reflect in greater affordability for the



new homeowner and for new employment centres as additional services like transit and community amenities can be financed and supported in the long-term.

- The Province should assist in any and all legal disputes where exorbitant parkland fees work against goals for Provincial growth and the legislated intent of planning fees in general.
- We encourage the Province to continue to actively promote the Ministry of Municipal Affairs and Housing own Building Blocks for Sustainable Planning which notes that municipalities can authorize a reduction in the amount of cash-in-lieu of parkland payments if sustainability features are included in redevelopment proposals.

Additional Issues & Recommendations

- Municipalities, by legislation, must be required to borrow to construct critical infrastructure in keeping with the Provincial Forecasts found in Table 3 of Places to Grow. Servicing of future development is a municipal responsibility.
- The province should recognize the enormous borrowing capacity within municipalities and while they continue to ask the province for more funds, their ability to carry debt is actually greater than the provincial government according to credit agencies.
- Where borrowing capacity of 25 percent is not being used reasonably to assist with the cost of growth related infrastructure, it serves to undermining the Growth Plan. The *Development Charges Act* and related municipal fees should provide that the obligations to growth under the Growth Plan are mandatory and servicing allocation and other permits cannot be withheld as a result of a municipal decision not to borrow to reasonable capacity within debt limits.
- Municipalities must look to a Full Cost Municipal Revenue Model. It is essential that municipalities articulate that “full revenue” growth contributes to public services. Calculations to properly articulate the concept of “growth pays for growth” must include more than just development charges. A full cost municipal revenue model will more fairly allocate the cost of capital projects and new infrastructure to all that benefit from infrastructure that has a long life cycle. This model should include development charges, assessment increases, user fee rate growth and any grants from senior levels of government which would be taken into account in all calculations.
- A portion of municipal property assessment growth (a minimum of half) has to go towards paying for growing infrastructure and asset replacement.
- In circumstances where municipalities “refuse” to plan for growth, including debt financing to support infrastructure, the borrower should consider withholding transfer payments or declare a Provincial Interest and proceed to approve necessary infrastructure to allow development to proceed.
- The Province should look to create new mechanisms for municipalities to finance infrastructure. While recognizing funding challenges within the federal system, Ontario could provide the legal mechanisms for municipalities to issue debt and finance infrastructure in innovative ways.
- Front-ending Agreement provisions of the *Development Charges Act* should be amended to make them less cumbersome. The Act should specify that municipalities have the jurisdiction to enter into agreements that allow them to reimburse landowners from development charge reserve funds for capital infrastructure provided by, or funded by the landowner, without having to use the current front-ending agreement provisions of the Act.



- Revisions to Section 59 of the *Development Charge Act* are recommended to since the Act does not provide adequate protection for landowners to impose equitable cost sharing among all benefitting landowners.
- It is recommended that the higher construction standards imposed by agencies and senior levels of government be recognized in the development charges and benefit to existing calculations.
- Industry members would like to work with the Province, the public and all related agencies to develop an understanding and approach to limit the use of various, more cost-effective delivery of services such as requiring tunnelling only in those instances that are absolutely necessary.
- The *Development Charges Act* should be amended to ensure that new growth only pays for the delivery of the basic service and not all of the additional costs that are a direct result of environmental protection, as this also provides a benefit for the existing residents. Additional costs could come through other funding revenues sources such as the general tax revenue, realty tax and water sewer rates.
- Municipalities should be asked to explore other delivery mechanisms to provide critical infrastructure, such as utility models. There are many successful models used in other parts of the world that could be examined and applied in Ontario.
- The province must update the \$400,000 HST threshold and commit to a regular review of HST thresholds on a regular basis to maintain and improve housing affordability.
- The Province of Ontario should not extend new land transfer taxes to any additional municipalities.



(a) NEW NEIGHBOURS TAX – HOW MUCH DO THEY PAY?

We are pleased to provide our comments on this important review of Development Charges in Ontario. As the voice of the land development, new residential housing and professional renovation industry in Ontario, OHBA through our local associations advocate for housing choice and affordability. This consultation is the opportunity for the industry to present to the provincial government the impact of the current growth-related tax regime on housing choice and affordability on Ontario’s new neighbours – new homeowners and new employers – who will be living in new sustainable communities across the province.

Ontario continues to operate in a growth environment. The recent 2041 people and employment growth amendment by the Provincial Government confirms that reality. In this growth environment governments at all levels must provide infrastructure and services to support new neighbours, while also renewing and improving infrastructure and services for the existing community. Ontario’s quality of life is continues to be an important economic factor in competing for international investment to support economic expansion and secure jobs. Simply put, all levels government need to be mindful of the impact of growth-related tax regime on Ontario’s new neighbours as it has an impact on our global economic competitiveness.

We are taking this consultation as an opportunity to educate the provincial government of the industry experience of working through the current provincial growth-related tax regime. As the province has reminded the industry for many years, the province creates the framework and the municipalities implement and determine the final growth-related taxes. This consultation provides an opportunity to connect for the province how the provincial framework through municipal implementation generates costs that our new neighbours ultimately have to pay as part of their new home and new business.

As the OHBA press release stated in August 2013, “By placing the new neighbours at the centre of this discussion in terms of affordability and fairness, we welcome the opportunity to have a detailed discussion on the impact of development charges, parkland dedication fees, section 37 agreements and voluntary charges on housing affordability. “

Across Ontario, new neighbours are paying more than their fair share in growth-related taxes. As taxes and other government charges increase, these are absorbed by the new homeowner and new employer. These new neighbours ultimately carry the cost of all government imposed fees and charges. This is the fundamental reality of this provincial consultation, and by recognizing and acknowledging this reality the focus can and should be on the necessary improvements needed to make all of these growth-related taxes - the new neighbour tax - transparent and accountable to these new neighbours.

New neighbours do their fair share to contribute to municipal, provincial and federal growth related costs. As noted in the Ministry’s Development Charges in Ontario Consultation Document, in 2012 alone, development charges contributed \$1.3 billion directly toward the construction of growth-related infrastructure like sewers, roads and transit in the GTA through development charges paid to municipalities.¹

¹p.1 Development Charges in Ontario Consultation Document, Fall 2013.



We recognize that the purpose of this consultation is to review the *Development Charge Act* and *Planning Act* with respect to its related fees and charges, those being development charges, parkland dedication Cash-In-Lieu (CIL) and Section 37. It is important, however, to note that the beyond these three major branches of fees are a whole host of additional fees and charges that are paid by new neighbours.

For example, the typically development will pay the following in addition to the charges being examined in this submission:

1. Municipal development charges
2. Regional development charges
3. Education development charges
4. GO Transit development charges
5. Potentially – area-specific development charges
6. Planning review fees
7. Building permit fees
8. Engineering and servicing review fees
9. Conservation Authority review fees
10. Peer review costs
11. Hydro/utility fees
12. Property taxes
13. TARION enrolment fee
14. CMHC mortgage insurance
15. HST
16. Land Transfer Tax

It should also be noted that there are several “voluntary payments” that are demanded by municipalities that are in addition to the growth-related taxes listed above. These are discussed below in Section (c).

Additionally, new neighbours will not only pay for existing municipal services through their residential property taxes and user fees, but, by virtue of the manner in which the financial tools currently operate, they will also pay the greatest proportion for all new services that are implemented and for upgraded services that can be enjoyed by all residents. When the provincial government updates environmental and engineering standards for all communities, municipalities often only implement and finance these improvements that are required for the entire community through the Development Charges process, placing an unfair burden on new neighbours to the finance provincially required infrastructure renewal.

To qualify these remarks, the Building Industry and Land Development Association commissioned and released a report looking at the impact of a variety of government charges and fees on the affordability of a new home in the GTA. Please see the BILD Altus Report on Government Imposed Fees and Charges dated July 2013 found in Appendix A of this submission.



The study looked at six municipalities and found that on average, more than one-fifth the cost of a new home is paid to government through a variety of fees and charges such as development charges, parkland fees and taxes.^[1]

The issue of housing affordability poses significant challenges for the industry as it does for new homebuyers in the GTA. Since 2005, the average selling price of new low-rise homes across the GTA has increased by 70%, while the average selling price of new high-rise homes has increased by 61%.

In most municipalities, the most significant government charge for new homes are development charges, which comprise of 33% to 52% of the government charges on new homes (in the five municipalities outside of the City of Toronto as per the BILD Altus Report). Since 2004, for the municipalities studied in this report, development charges have increased between 143% and 357%.

In dollars, the average total government charges on a new single-detached home amount to \$116,200 – which represents 22.6% of the cost of a new home. The average total government charges on a new high rise home amount to \$64,000 – roughly 20% of the cost of a new high rise home.

In a preliminary case study of 3 municipalities in the Province (Brampton, Vaughan and Whitby), prepared by IBI Group in January 2014, the study revealed that from 1999 to 2013 development charges have significantly challenged the affordability of new low density developments. All municipal development charges quoted below reflect both lower and upper tier charges.

Since 1999, the City of Brampton's development charges for a Single Detached Unit (SDU) increased more than 339% from \$14,571 to \$63,991. This was the third highest component cost increase for Brampton only next to the cost of land and the development application and processing fees. In the City of Vaughan, development charges for a SDU increased more than 245% from \$15,960 to \$55,068. The Town of Whitby has also seen significant increases (168%), with development charges for SDU's increasing from \$13,836 to \$37,111 over the period.

Development charges have also increased substantially as a proportion of total building costs in all three of the case studies assessed. In Brampton, development charges comprised 7% of the total costs-to-build in 1999 and increased to 12% by 2013. In Vaughan, development charges comprised 7% of total cost-to-build and increased to 9% in 2013. In Whitby, development charges grew from 7% of total building costs in 1999 to 8% of total building costs in 2013. Factors related to building costs include: land, servicing costs (including the cost of getting development approvals), development application and processing fees, parkland dedication costs, building construction (hard and soft costs), HST, broker commissions, land transfer taxes and development charges.

CMHC's 2009 Report "Government-Imposed Charges on New Housing in Canada" confirmed similar results as it determined that in municipalities like Windsor these cost make up 14.8% of the purchase price, 14.3% in London, 17% in Hamilton and 16.3% in Waterloo.² This study can be found in Appendix B.

^[1] Government Charges and Fees on New Homes in the GTA, Altus Group, July 2013



Over the last decade, about 400,000 new homes have been purchased across the GTA – the government revenue generated from these homes is in the tens of billions. With every increase in costs, the industry’s ability to re-invest and build complete communities around the GTA and to keep 200,000 plus people employed in Ontario becomes more and more difficult.

As noted, these fees are collected directly from the new neighbour and therefore added to their borrowing costs within the mortgage. The following example provides the impact of development charges increase on mortgage interest: a house with a \$500,000 mortgage would pay about \$291,800 in interest costs over the life of the mortgage (over and above principal repayment). For every additional \$10,000 in mortgage principal (i.e. development charge increase), the interest costs increase by \$5,820 over the life of the mortgage (mortgage costs are based on 25-year amortization, 4% interest rate, monthly payments).

It is a commonly held view that when interest rates rise, the ability of the current homeowner to afford their existing obligations become increasingly difficult and could well cause significant adverse economic impacts. The time to correct these rising costs is now in an effort to minimize the impacts that will already occur in a rising interest rate environment.

Recommendation:

- The provincial government should change the name of the ***Development Charges Act*** to the ***New Neighbour Tax Act*** in order to provide clarity to Ontarians about the purpose, intent, and cumulative effect that these charges have on families being able to afford a new home or businesses being able to invest in new jobs in Ontario.

(b) DEVELOPMENT CHARGES

When the *Development Charges Act* was passed in 1997, it attempted to strike a balance between stakeholders. At the time, the Act attempted to fine-tune the overall principle that growth pays for growth as there were issues arising particularly with respect to service level standards and contributions from the tax base.

However, since the passage of the *Development Charges Act*, municipalities have interpreted the Act in ways unanticipated with the earlier amendments and they have found alternative ways to raise revenue for infrastructure that go beyond the scope of the legislated requirements in the Act. Charges have increased significantly over the last generations of development charge by-laws and these increases do not match either tax increases or cost of living increases.

The rise in development charge revenue is often met with barely any upward movement in property taxes by municipalities. In fact, in many cases, property taxes have been declining in certain municipalities when

² p.5 Government-imposed Charges on New Housing in Canada (2009). CMHC Research available: <http://www.cmhc-schl.gc.ca/odpub/pdf/67163.pdf?fr=1388763809242>



adjusted for inflation.³ We recognize that municipalities have increasing pressures to provide for the costs of infrastructure that were not considered ten or more years ago, such as enhanced provincial environmental standards as well as changing transit and mobility needs and increasing consumer expectations and other funding constraints. However, there needs to be a fair balance in how these costs are allocated, and these increases shouldn't be disproportionately borne by the new neighbour.

(1) Affordability, Transparency & Accountability for Our New Neighbours

We believe that a better balance needs to be struck between the costs assigned to new neighbours and existing home and businesses. Failing to address this imbalance now will have an impact on current and future affordability of homes and employment centres and challenge economic growth. It will also exacerbate current frustrations with a decline in transparency and accountability in some areas of the Province.

As seen in our recommended changes below, the industry attributes the large escalations to the costs included in development charges to many sources. It stems in part from the ever changing variety of ways in which the *Development Charges Act* has been interpreted. This includes, but is not limited to, mechanisms such as excessive soft costs for hard infrastructure (ie. staff time and higher than standard contingencies), excessive historical service standards, disproportionate shares between benefit to existing taxpayers and new neighbours, and absorption of post-period benefit costs.

Municipalities have also found ways to limit their infrastructure-related borrowing obligations using mechanisms that fall outside of the original intent of the *Development Charges Act*. In recent times, the burden of this municipal financial obligation has fallen on new neighbours – both the new homeowners and new employers - to absorb.

There is also an issue with municipalities constructing “gold-plated” services using development charges as the funding source. Developers are being leveraged to pay more than what municipalities are permitted to collect through the Act, often building the unnecessary “Cadillac-type” infrastructure. Similarly, our members have found that some municipalities “pad” the charge with infrastructure projects that never seem to come to fruition.

To address affordability issues as well as matters of transparency and accountability, we suggest the following for consideration:

Recommendations:

- Reserve funds should track each project on an annual basis recording all monies received and spent and any deviations including additional costs anticipated and variances in timing. In the event that

³For example, the Average property tax increase for Regional services in Halton has been 0% over the past seven years. Halton 2014 Proposed Budget:

http://www.halton.ca/userfiles/Servers/Server_6/File/PDF/Budget2014/2014_Budget_Book_FINAL.pdf



there is a deviation in excess of 20 percent, the project must be the subject of a report to Council and a public meeting with a consequent amendment to the development charge by-law.

- Regulation should require a public meeting to review the development charge reserves and project lists in the development charges background study so that residents are fully aware of the contribution of infrastructure by new development in the community.
- Separate reserve funds must be kept for each category of service. For example, parks improvements and recreational services should be separate. Transit (if applicable), roads and active transportation measures such as cycle paths and walkways should be tracked separately.
- In the event that a listed project does not get included in the capital budget for the year anticipated in the background study, the development charge shall be required to be amended in the manner set out in the *Development Charges Act*. The item should be eliminated, and funds should be transferred to another current development charge project within the capital budget with similar timing.
- The new homeowner and new employer should receive a direct accounting from the reserve fund as to what infrastructure their payments contributed to, along with the construction schedules and estimated project completion for all projects that receive development charge funds.
- The regulations should be amended to require that current usage rates such as water consumption and sewage flows are required inputs. In terms of roads, it should be mandatory that where active transportation modes including transit, cycling, and pedestrian paths are included, that road infrastructure requirements for cars be reduced to reflect the change.
- The process should be amended to require mandatory and regular consultation with stakeholders, and where reductions are substantiated, they too shall be noted.
- The regulations should stipulate that stakeholders shall have access to all background information including modelling and all detailed inputs. Confidentiality agreements will be made available to qualified consultants where necessary prior to disclosure.
- The regulations should stipulate that Master Plans conducted as Phase 1 and Phase 2 Environmental Assessments are not sufficient to use for cost inputs. Comments on the Master Plans should be considered to be preliminary and should not constitute a detailed costing exercise as required by the *Development Charges Act*.
- No provincial infrastructure, including hospitals, shall be eligible for inclusion in the charge and the Act should stipulate this exclusion specifically.
- The Act should stipulate that the exclusion of city halls includes any administrative space within these buildings to avoid the space being parsed out and included in eligible service categories.
- The Regulations should specify that any requirements imposed upon growth-related infrastructure by the Ministry of the Environment or equivalent, or by a Conservation Authority shall be borne equally

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and pro rata by all taxpayers. This would ensure a proper benefit to existing attribution and lessen some of the matters of greatest impact in recent years.

- The Regulations should provide that contingencies and engineering fees are limited to those expended in previous similar tendered contracts. Where exceeded, the excess cost can be recovered either through a scoped amendment or as a part of the 20% adjustment noted above. In addition, as is the case now, any unforeseen costs can be added to the opening balance of a new by-law.
- Staff costs, if included must, by Regulation, be limited to demonstrated new positions being required and not as a percentage of contract cost.
- The Regulations should set standards for service levels for soft services such as an amount per person for park improvements or space per person for community facilities. This would ensure accountability.
- Where borrowing costs are included in the development charge background study, these costs must be used for municipal borrowing for development charge eligible projects.
- A Best Practices Manual should be developed by the Province with consensus input from the consultants and stakeholders who are employed by the municipalities and the industry. Much of what is listed above could be discussed in this context. Government input, by way of mediation, should be used to settle matters where consensus cannot be achieved. The Environmental Commissioner of Ontario also made a similar recommendation with a specific focus on sustainability.⁴
- Provincial mediation services should be available to resolve disputes arising in the development charge process including the background study and any subsequent complaints.

(2) **Co-Mingling of Service Categories & Inclusion of Non-DC Eligible Items in Municipal DC By-laws**

When a development charge by-law review consultation process occurs between a municipality and the relevant industry stakeholders, the industry goes through great lengths to verify the proposed quantum, and the associated assumptions and inputs that are part of the proposed charge. Great lengths are taken by home building associations, landowners and landowner groups with their review teams of consulting engineers, planners, legal counsel and economists, to ensure that the intentions of the *Development Charges Act* are upheld in newly introduced development charge by-laws.

In recent years, we have seen a “co-mingling” of service categories as municipalities calculate their proposed development charges as part of the review of a new by-law. This results in a flawed development charge. For example, the recreation and parks categories are often combined which has an adverse impact

⁴P.34 Building Momentum Environmental Commissioner of Ontario 2012 <http://www.eco.on.ca/uploads/Reports-Energy-Conservation/2013v1/13CDMv1.pdf>



on the quantum. More municipalities are combining services for the purpose of the calculations, and as a result are often using a parkland development standard to fund indoor recreation facilities. It is always left to the industry teams reviewing the proposed development charge by-law to uncover these methodological irregularities. This all has the potential to artificially inflate the available service funding envelope which can result in a higher development charge for the new neighbour – both new homeowners and new employers.

Recommendation:

- Regulations should be clarified to confirm that service categories should not be combined for the purposes of the development charge calculation. When this occurs, it results in a flawed rate.

A recent example of methodological irregularities occurred in the City of Hamilton, which over-charged new neighbours for wastewater infrastructure allocation in their 2011 development charges background study. This resulted in a disproportionate share of infrastructure charged to new neighbours who were over-charged by \$520 per single family home. Fortunately, the Hamilton-Halton Home Builders' Association (HHHBA) provided the City with a detailed analysis of the flawed methodology and challenged their development charge. The challenge ultimately resulted in a settlement with the City. The work of the HHHBA will result in savings to the new neighbours that had over-paid the municipality and to future new neighbours that will live in the City. The settlement was communicated to the public by the HHHBA through an advertisement to new neighbours that the Association placed in the Hamilton Spectator. See Appendix Q for additional details.

Similarly, the industry is finding more and more often that municipalities are including items that are not development charge eligible, as per the *Development Charges Act*, in their new development charge by-laws. Providing the long list of municipalities that we have experienced fall in to this category would only serve to undermine existing relationships and embarrass the municipality. Alternatively, as stakeholder discussions on these consultations move forward, we would be pleased to provide lists of the ineligible services that appear to be the responsibility of the industry to uncover during the development charge by-law review process.

Without the oversight provide by the industry, new neighbours would be forced to finance ineligible municipal infrastructure in their mortgages.

The practise of including ineligible items, and ignoring the legislative intent of the *Development Charges Act* must come to an end so that we can concentrate our efforts instead on building complete communities.

Recommendation:

- Municipalities must uphold the legislative intent of the *Development Charges Act*, and refrain from including ineligible and items that are not permitted.



(3) Social Housing & Asset Replacement (Rolling Stock)

With respect to social housing provisions the connection between the need for sewage capacity, water, and other ‘hard’ infrastructure services is straightforward. However, when a builder builds a new home for a family, there is no connection between that family and the provision of additional social housing. For example, the *Development Charges Act* speaks to the increased need for services. We continue to question the inclusion of social housing in development charge by-laws, as it is unclear as to how the development of new housing in a municipality would generate the need for new units of social housing in the entire Region to which a municipality belongs. If it is the wish of a municipality to have a share of new housing units be developed as social housing, they could include those provisions in their Official Plan, Secondary Plans, etc.

Recommendation:

- The Province should consider whether it is appropriate to include social housing and police vehicles in the development charge. If it is to be included, all details regarding the nature and location of the proposed social housing projects must be included in the development charge background study in order to provide confidence that the Region intends to ensure that the projects and/or facilities will be provided (as required by Section 3 of O.Reg 82/98 to the DC Act).

It is often the case that projects are included in municipal budgets, yet no additional details are provided as to the location and exact nature of each project. The industry requires greater transparency in this regard.

In addition, speaking to the issue of asset replacement for rolling stock, under the *Development Charges Act*, rolling stock that has a useful life of seven years or more (which covers most public works and fire vehicles) may be included in the development charge capital costs. However, the seven year or more life requirement means that most ambulance and police service vehicles are not eligible to be collected for or funded from development charges. Despite this, we see time and time again, items such as police vehicles regularly included in development charge by-laws, as municipalities will claim that the replacement of existing vehicles is the responsibility of new neighbours.

Recommendations:

- Development charge revenue must not subsidize asset replacement. Replacement of existing vehicles is not growth related, and should therefore be paid from other sources such as the property tax base.
- The policy basis around the asset replacement requirements for a municipality must be better defined. The way a municipality can apportion the replacement of existing infrastructure assets which are past their useful life, and how much if being funded as a portion of development charges must be made clear.



(4) **Development Charges Review Timelines**

Currently, the preparation of a development charges background study can take several months and the industry is granted a 20-day period to review this information. The current 20-day consultation process is insufficient for public engagement, and doesn't allow the industry and stakeholders to adequately review the details of the development charge background study.

Notwithstanding the aforementioned, there are municipal partners that understand this pitfall and they bring industry representatives to the table well in advance of the release of the development charges background study. This results in a better understanding of background study and supplementary reports, and generally this also results in less appeals to the OMB as discrepancies or errors are mitigated through this extended consultation period.

It is important that development charge by-law review timelines, and the process of consultation and stakeholder engagement, be assessed as part of this Provincial review.

Recommendation:

- OHBA recommends a minimum of six months be required for public consultation. Typically, those municipalities that abide by a 20-day consultation period result in numerous appeals to the OMB.
- The background study review process should be amended to require monthly consultation with stakeholders and should require that draft documents be available to the public for comment. This should be over and above the prescribed statutory public meeting for the general public.
- The *Development Charges Act* should be amended to provide that the reserve fund accounting section require that a minimum of one annual meeting be held with stakeholders to review the debits and credits for each item in each reserve fund for the previous year.
- Five year by-law review periods should be maintained and reinforced at 5 years, and no new by-laws outside this framework should be introduced.

(5) **Transition, Grand-fathering & Phase-In Provisions**

The calculated amount of development charge payments is unpredictable during a review process which begins with a proposed amount and accumulates into a negotiated amount between the municipality and typically the industry. During this process, projects are impacted in terms of pricing for the new homeowners and new employers since the final development charges amounts are unknown until the review process is finalized.

The topic of transition is incredibly significant to developers and builders, especially when they are entrenched in discussions related to a development charges by-law review. When a development charge



by-law review consultation process occurs between a municipality and the relevant industry stakeholders, the industry goes through great lengths to verify the proposed quantum, and the associated assumptions and inputs that are part of the proposed charge. Review teams which include consulting engineers, planners, legal counsel and those that assist with an economic analysis are retained by the home builder association and landowner groups. This group dives in to the minutia of the components that make up a development charge.

However, the discussion around transition is often left as part of last-minute negotiations separate from this specific quantum analysis. Because they are aware of its significance and impact on development projects, transition is often used as a “bargaining chip” by the municipality. Our members often feel that they have been forced into accepting a quantum in exchange for a “reasonable” transition, which comes with them agreeing not to appeal the proposed development charge by-law to the Ontario Municipal Board. They are often left agreeing to a “flawed” development charge which then becomes the benchmark for the next development charge by-law review cycle. Our members have explained to us that the host of assumptions, methodology and capital programs that were not contested, in exchange for a “reasonable” transition are often brought forward to the next development charge by-law because they felt forced in to not exercising their right to appeal. This also forces new neighbours to finance municipal infrastructure and priorities that are not consistent with the legislative intent of the Act through the purchase of their new home or by establishing a new business in the community.

In association to this, we understand that the OMB has said that on matters of an appeal to a development charges by-law, they generally do not address policy of Council unless it is unreasonable. Decisions related to transition, grandfathering and phasing are that of a municipal or regional Council, and these provisions are embedded within a development charges by-law. If our members appeal a development charge by-law, they run the risk of any part of that by-law changing, and that does include any “reasonable” development charge rate transition provisions.

In order to ensure that new neighbours are not faced with the uncertainty and burden of an unexpected development charge increase, our recommendations below related to mandatory phasing, transition and grandfathering capture the need to institute a Regulatory framework around transition prior to a new development charges by-law being introduced.

When a pre-construction home has been purchased, and there is an unexpected development charge increase prior to closing, someone still has to pay the difference. For example, if a municipality increases its development charge rates when a project is in pre-construction sales, the added cost could be absorbed by the builder or passed on to the new neighbour. If passed on to the new neighbour, their financing has to be re-confirmed that they can still afford the additional municipal costs or the deal doesn't close.

In the case of projects with longer building timelines such as a condominium builder, these development charge adjustments significantly impact the purchasers final closing dates. For example, if a condo building has 400 homes, a \$10,000 increase in development charges on that building amounts to \$4 million. If the builder cannot absorb this cost, the increase will be added to the purchase price of the home and applied upon closing.

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In the Agreement of Purchase and Sale between a builder and a new homeowner, there will be information about what cost increases can be adjusted at time of closing. This will often add significant, unanticipated and frustrating closing costs for the new homeowner, creating instability in the market place and a possible unpleasant new home buying experience. For reference, a conceptual development project timeline has been included in Appendix R.

A significant and necessary reform is the need for transition provisions to accompany any newly enacted development charge by-law in order to provide certainty and fairness for both new homeowners and new employers.

Recommendations:

- Grand-fathering provisions should apply for complete applications as defined by the *Planning Act* that were submitted prior to any new by-law being enacted. This will permit certainty for financial viability and for calculating the development charges amount for projects that are in the planning and design phases.
- Transition, whether it be from one generation of by-law to the next, or as a result of changes to legislation that may arise in the context of this discussion, should be regulated and should not be treated as a negotiation tool. Where there are variances in excess of 20 percent of a development charges budget, or where project timing, parameters or viability change, the impact of increases in transition between by-laws should be minimized. Where such increase exceeds 20 percent, it should be capped as it would not have received the appropriate scrutiny during the by-law period. Where transition is due to legislative change, the by-law should be extended as necessary to allow all by-laws to be brought up to date within 1.5 years.
- Mandatory phasing of a development charge should also be instituted. This would eliminate sudden and dramatic increases in charges. Where there is a percentage of development charge increase of 20 percent or more, Councils should be required to approve a phasing of the new development charges by-law. Development charges should be treated similar to that of property tax assessment values which are phased-in over a four year period. This would not be difficult to administer since development charges are currently indexed annually. A mandatory phase-in provision would also eliminate the negotiation that often takes place between stakeholders and municipalities that results in the varying and inconsistent phasing or increases from one municipality to the other. This is transparency and certainty that would be to the benefit of all involved parties, including the new homeowner and new employers. Administratively for the municipality's perspective, this process would also prevent, what they term, the "rush to the permit desk" by applicants before significant increases are known to take effect.



(6) Categories & Unit Types

The Development Charge Act does not mandate charges be based on a specific set of categories, such as unit type (i.e. townhouse, multi, single-detached). However, some municipalities have different categories within the residential and non-residential charge. Municipalities also sometimes differentiate charges on a projects location and produce area-specific charges (urban vs. non-urban). These matters could be addressed as part of the “Best Practices Manual” as previously recommended above.

The concept of a legislated distinction between unit types for municipal DC rate setting is a policy recommendation that has been advocated by other stakeholders such as the Ontario Environmental Commissioner⁵, environmental NGO’s⁶ and the academic community⁷ which seek to tie the development charge to environmental externalities in a municipality. While we are sceptical of the narrative in much of these reports which oversimplify a cost dichotomy between greenfield versus urban development, there may be merit to the rationale and purpose of exploring some of these proposals.

Recommendation:

- It is recommended that a municipal requirement be mandated for a consistent set of categories within the residential and non-residential sectors where the development charges would apply, with the objective of supporting an equitable contribution from each new neighbour. In addition, category requirements would support the provincial Growth Plan objectives by providing incentives to the development of smaller unit types.
- Many members have expressed concern for the methodology of using unit versus another mechanism such as square footage to determine development charges. We recommend that this provincial review is an opportune time to re-evaluate the metrics used for calculating development charges.

(7) The 10% Co-payment for Soft Services & The 10-year Average Historic Level of Service

It has been suggested by some municipalities that these two current legislative standards mean that growth is not paying for growth. It continues to be the role of the industry to remind municipalities that the 10 percent co-payment for soft services was included in 1997 to ensure not only that the service levels were realistic, but also to reflect that existing residents use these services and should pay their proportionate share. In addition, mandating a small municipal co-payment for soft services meant that municipalities were at least partially fiscally accountable for the feasibility of certain projects.

⁵*Building Momentum* Environmental Commissioner of Ontario. Annual energy Conservation Progress Report – 2012 (Vol. 1) September 2013

⁶“The High Costs of Sprawl” Environmental Defence. August 2013 <http://environmentaldefence.ca/blog/costs-sprawl-too-high-ignore>

⁷Blais, Pamela. *Perverse Cities*. UBC Press 2012 <http://perversecities.ca/>



Simply eliminating the 10% co-payment only serves to increase the growth-related taxes paid by the new neighbours and eliminates a clear cost control from the development charges formula. The principles of affordability and fairness, along with governments own stated themes of affordability, economic growth, transparency and accountability must be maintained in the Act for the benefit of the new neighbour.

The same applies to the 10-year average historic level of service. It has been used to ensure that expenditures are properly assessed in terms of growth shares. Service level standards have increased significantly as consumer expectations have risen along with provincial transit priorities that accompanied Places To Grow, the creation of Metrolinx, and the new emphasis on transit-oriented communities. A mechanism to ensure that capital is thoroughly reviewed for cost/benefit and for ongoing upkeep is essential to the development charge process.

OHBA and its local associations cannot support a change to the 10-year average historic level of service that only serves to increase growth-related taxes on new neighbours. As we stated in our opposition to the Metrolinx financing plan that included a 15 per cent increase in development charges as a means to finance the Big Move with no additional accountability or transparency requirements, this approach will simply make transit-oriented communities less affordable for new homeowners and new employers.

OHBA and its local associations do appreciate the subsequent work of the Golden Panel to establish a thoughtful framework to determine the cost-benefits of any transit projects and to recognize that conditions to build the proposed transit before the financing and taxing arrangements can be made. This approach makes the discussion around the 10 year service average more responsible to the industry and more accountable to the new neighbours who are being asked to contribute and eventually support the transit decision.

Recommendation:

- The industry would be prepared to explore other options that would ensure that there is transparency and accountability in establishing the inputs to growth related infrastructure for the full life cycle of the asset, with the caveat of the following framework being acknowledged and applied:

Framework:

A framework would have to be established built on principles similar to those enunciated by the Golden Panel in its Report from the Provincial Transit Advisory Panel:

- Every project should have a published cost-benefit analysis.
- Every project should be directly matched to a revenue stream.
- Every revenue scenario should include the ongoing cost of operating and maintaining a service, not just its upfront construction cost.

A framework must include project specific reserve funds in the background study denoting not only development charge contributions but also: other government imposed fees and charges that are



received, grants, mandatory tax based contributions for benefit to existing and post period benefit at the time of growth contributions, and user fees. Mandatory annual contributions for operation and maintenance could be discussed provided that it was a part of a package of changes as set out herein.

The background study would be subject to update as noted above on 20 percent variances by project and would be required to translate taxpayer cost into percent increases in the tax rate.

It is essential to the industry that any changes proposed to the legislation be the subject of a future dialogue which would include the municipalities and the Province and perhaps the services of a mediator if necessary. In our view a collaborative resolution is much better than imposed change. The issues affect all of these stakeholders so dramatically that change should be carefully canvassed before being implemented given the consequences of any unintended misstep in implementation.

(8) OMB & Divisional Court Decisions: Gross vs. Net DC Methodology for Soft Services

In 2009, the Building Industry and Land Development Association appealed several development charge by-laws across the Greater Toronto Area that adopted a new methodology employed by Hemson Consulting which uses gross population to calculate development charge rates for soft services.

In a 2010 decision of the Ontario Municipal Board regarding a development charge by-law proposed by the Town of Orangeville, where a motion for leave to appeal was dismissed by the Divisional Court, the appropriateness of the gross population methodology to calculate soft service development charges was assessed. In the Orangeville case, the Board, (confirmed by Divisional Court), decided that a methodology calculating development charge eligible costs using estimates of the gross population in new units does not conform to three separate provisions in the Development Charges Act, namely section 2(1), section 5(1)4 and section 5(1)5. The OMB held that the use of estimates of the net increase in population in the municipality to calculate soft service development charge does conform to the requirements of the Act. Please see appendix for related OMB and Divisional Court decisions. These decisions have been attached to this submission and can be found in Appendix D and E.

As a result of this OMB and Divisional Court decisions, several municipalities amended their by-law to reflect the proper change to methodology. This change amounts to an average of \$1,100 savings to the new homeowner.

However, there are municipalities that have chosen not to honour the OMB and Divisional Court decisions, and these by-laws continue to be a point of appeal at the OMB. Although it has been almost six years since the initial OMB appeal, and despite attempts at mediation, the matter is not scheduled to be before the Board until October 2014. This has resulted in a significant degree of uncertainty for all parties involved.

As more than five years have passed since this matter has surfaced, we find ourselves in a new round of development charge by-law reviews. Some municipalities are looking again to use the methodology that



BILD contested, while others are using a hybrid “alternative” methodology which has since also been appealed by BILD.

Industry legal opinions confirm that this “alternate” soft service methodology which uses a combination of population and households is not reasonable or in conformity with the requirements of the *Development Charges Act* and the Act’s regulations, or the 2010 decision of the OMB in the *Town of Orangeville vs. Orangeville and District Home Builders’ Association* and Superior Court.

Library, indoor recreation and park facilities are city-wide services available to all residents, of which the demand for these soft services is created by residents, and not houses. Simply adding residents and houses together in the calculation results in the use of an artificial number that does not result in a legitimate measure of need for service or level of service. The effect of co-mingling residents and houses for the purposes of the calculation is to inflate the maximum allowable funding envelope, and in turn increase the development charge above that which would be calculated using the net increase in residents. That is the obvious purpose of this “alternate” methodology. In doing so, the calculation is not based on the actual increase in need for service. It does not appropriately account for excess capacity arising from the decline in population in existing housing, and it results in the development charge funding levels of service that exceed the legitimate 10-year historic average. Again, these are all contrary to the decision of the Board and the Superior Court in the *Orangeville* case, and the current provisions of the *Development Charges Act*.

Recommendations:

- Municipalities should not be permitted to impose a development charge which has been calculated using gross population increases, or any related alternative-hybrid methodology.
- The Regulations should be amended to prescribe that net population increases should be used to calculate “soft service” development charges.

(9) Development Charges as a Funding Source for Transit

We recognize the need for significant investment into transit by all levels of government. As has been noted by numerous submissions to the Province from other consultations, Canada is the only country in the G-7 that does not have a national transit strategy.⁸ The industry has also been a vocal supporter for an increased federal presence in funding transit. OHBA passed a Board Resolution in 2012 calling for the federal government to dedicate funding to support municipal transit infrastructure⁹ (See Appendix I). We recognize that the scale of modern transit related infrastructure is well beyond previous eras of transit funding.

However, municipalities need to recognize the significant efforts made by the provincial government in uploading services to alleviate fiscal pressures. The Provincial Municipal Fiscal and Service Delivery Review (PMFSDR) released in Fall 2008 uploaded numerous services and therefore provided additional

⁸<http://www.mowatcentre.ca/research-topic-mowat.php?mowatResearchID=38>

⁹OHBA 2012 Resolution #4 “National Transit Strategy (Capital Expansion)” September 2012.



fiscal capacity for municipalities to invest in core infrastructure. In 2016 when the agreement is fully phased in, it will total \$1.5 billion in annual fiscal relief.¹⁰ That agreement is in addition to direct funding provided by the Ontario Municipal Partnership Fund which totalled over \$1.9 billion in municipal assistance in 2013. In total the Province is providing municipalities with ongoing support of approximately \$3.4 billion in 2013 which is three times more than the level provided in 2003.¹¹ In addition the Federal government has increased support for municipalities in recent years including the GST rebate for municipalities and made permanent the transfer of five cents of existing gas tax to municipal infrastructure. Therefore while the industry recognizes more can be done by higher order governments in delivering infrastructure dollars, municipalities need to appreciate the additional financial capacity they have due to recent major policy decisions by the Province.

The capital costs associated with the transit is enormous. More importantly, relying on development charges as a funding source is an unrealistic, unfair, regressive and unreliable metric for funding operating costs. Typical transit systems require significant operating subsidies from the municipality. In Toronto, this totals \$534.5 million annual operating subsidy and represents the second largest item in a property's property tax assessment after police services.¹²

The funding of higher order transit should not fall to the municipal levels of government creating negative policy consequences and affordability challenges. Any additional obligation for new neighbours - new homeowners and new employers - to fund transit is harmful to provincial objectives that attempt to direct development towards transit corridors. In addition, using a development charge to support transit is counter-intuitive to the initiatives of the Provincial Growth Plan which encourages transit-supportive land uses.

Recommendations:

- For municipalities that are just starting to create light rapid transit and other higher-order transit projects, it is recommended that they need to demonstrate that they also have the capacity to actually fund these items from their property tax base on a continuous basis. As noted in the provincial consultation documents, there was an exemption to the historical average on the Spadina Subway extension. However, this was done within an urban context and with an established transit operator (TTC) on a well-utilized transit line (Yonge/University/Spadina).
- Transit options should be subject to provincial scrutiny in the same manner as was done with infrastructure grants to ensure that they choice of transit capital best matches the benefit and can be cost justified.

¹⁰Provincial-Municipal Fiscal and Service Delivery Review. <http://www.mah.gov.on.ca/AssetFactory.aspx?did=6050>

¹¹p.140, 141 2013 Ontario Budget: Budget Papers.

¹²[http://ttc.ca/About the TTC/Commission reports and information/Commission meetings/2013/November 18/Reports/2014 TTC AND WHEEL T.pdf](http://ttc.ca/About%20the%20TTC/Commission%20reports%20and%20information/Commission%20meetings/2013/November%2018/Reports/2014%20TTC%20AND%20WHEEL%20T.pdf)



- Transit should not be included in a local development charge unless funded in equal pro-rated shares by existing and new residents and businesses as a benefit to the existing population. If transit is included in the development charge, it shall be a separate service category from roads.

(10) Matters Specific to the Employment & Non-Residential Sectors

In a global economy where Ontario is competing for new investment, it is important for all levels of government to understand the economic impact of growth-related taxes on our economic competitiveness.

Development charge increases have grown dramatically for non-residential development over the past decade. It must be recognized that these costs are ultimately absorbed in the lease costs to being new employment centres on stream, and undermine some of the other advantages that Ontario presents to the world to invest here.

In a preliminary case study of 3 municipalities in the Province (Brampton, Vaughan and Whitby), prepared by IBI Group in January 2014, the study revealed that from 1999 to 2013 development charges have significantly challenged the affordability of new retail and office developments. All municipal development charges quoted below reflect both lower and upper tier charges.

Since 1999, retail development charges in the Town of Whitby grew by 1135%, rising from \$1.25 psf to \$15.44. During the same period, the total cost-to-build for a retail development increased by 116%. Relative to other development costs, retail development charges now comprise 5% of total cost-to-build, compared with 1% in 1999. A typical 40,000 sf retail building would have paid \$52,380 in development charges in 1999. By 2013, the same 40,000 sf building would command development charges of \$646,000.

Whitby's office development charges increased more than 1100% from \$1.25/psf in 1999 to \$15.44/psf in 2013. This was the highest component cost increase for Whitby office development. For a 61,000 sf building the development charges increased from \$76,230 to \$941,593. Vaughan's office development charges increased by 995%, increasing from \$2.44/psf to \$26.71/psf. For a 61,000 sf building the development charges increased from just under \$148,696 to \$1.63 million. Brampton has also seen significant increases, with development charges increasing 372% in value from \$4.94/psf to \$23.31/psf, over the period.

Development charges have also increased substantially as a proportion of total building costs in all three of the case studies assessed. In Whitby, development charges comprised 1% of total costs-to-build in 1999 and increased to 5% by 2013. In Vaughan, development charges comprised 2% of total cost-to-build and increased to 8% in 2013. In Brampton, development charges grew from 3% of total building costs in 1999 to 7% of total building costs in 2013. Factors related to building costs include: land, servicing, building (hard and soft costs), parking, HST and development charges.

In a recent case study of historical industrial development charges data of three municipalities in the Province (Brampton, Vaughan and Whitby), prepared by IBI Group (January 2014), the study revealed that

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from 1999 to 2013 the industrial development charges have significantly challenged the affordability of new industrial developments. Please refer to Section M of the Appendix for complete details. All municipal development charges quoted below reflect both lower and upper tier charges.

During the period, the Town of Whitby's industrial development charges increased more than 3000%, from \$0.25/psf in 1999 to \$7.90/psf in 2013. This was the highest component cost increase for Whitby industrial development. For a 50,000 sf building the development charges increased from \$12,500 in 1999 to \$394,000 in 2013.

Since 1999, the City of Vaughan's industrial development charges increased by 995% from \$2.44/psf to \$26.71/psf. For a 50,000 sf building, development charges increased from just under \$122,000 to \$1.34 million.

Since 1999, the City of Brampton's industrial development charges increased by 264.4%, from \$4.83/psf to \$17.6/psf. For a 50,000 sf building, development charges increased by more than half a million dollars, from just under \$241,500 to \$880,000.

Industrial development charges have also increased substantially as a proportion of total building costs in all three of the case studies assessed. In Whitby, development charges comprised 0.3% of total costs-to-build in 1999 and increased to 6% by 2013. In Vaughan, development charges comprised 3% of total cost-to-build and increased to 13% in 2013. In Brampton, development charges grew from 6% of total building costs in 1999 to 9% of total building costs in 2013. Six cost factors were identified: land, servicing, building (hard and soft costs), parking, HST and development charges.

The employment forecasts and assumptions being used in the various development charges background studies are also a source of concern for the development industry. Employment densities on employment lands are being overestimated which artificially increases non-residential development charges, specifically, industrial.

A key reason for this is that the information provided by the Census on housing is more extensive than information on employment. In addition, planning for employment is complicated by the changing composition of the economy.

As expressed to us by many of BILD's industrial and commercial members, Ontario has shifted from a manufacturing economy to a knowledge based and service economy. As a result of this shift in the type of employment growth, there has been an increase in the logistics sector as a percentage of total employment occurring on employment lands. This employment is accommodated in very large logistics buildings resulting in low employment densities. Therefore, the overestimation of employment targets impacts land use planning and development charges because development charges background studies use the employment forecasts and assumptions contained in Official Plans.



Below is an example of the impact of employment densities on the development charge applicable to industrial development:

| Typical Municipal Assumptions: | |
|---|---|
| Capital Program attributable to industrial growth | \$2.0B |
| Industrial Employment Growth in the period | 200,000 employees |
| Municipal Employment Density (historical figure) on Employment Lands (Industrial) | 1 employee/90 m ² |
| Resulting GFA | 18,000,000 m ² |
| Development Charge | <u>\$2,000,000,000</u> 18,000,000 m ² |
| Industrial Development Charge | \$ 111.11/m² |

If we use actual current employment densities in the above calculation:

| | |
|---|---|
| Capital Program attributable to industrial growth | \$2.0B |
| Industrial Employment Growth in the period | 200,000 employees |
| Current Employment Densities on Employment lands | 1 employee/300 m ² |
| Resulting GFA | 60,000,000 m ² |
| Development Charge | <u>\$2,000,000,000</u> 60,000,000 m ² |
| Industrial Development Charge | \$ 33.33/m² |

The figure of 1 employee/300 m² is representative of actual new Employment Land Density in Brampton.

Recommendation:

- We recommend that for employment and non-residential sectors municipalities should be providing services based on the type of growth that is predicted and not based on historical growth patterns, which provides no substantive evidence for the level of service requires for the future.

Some will contest that the sole reason that residential and non-residential development has continued is because of the low interest rate environment that, notwithstanding the continued increase in costs, have maintained an ability to finance the higher prices. Any significant increase in interest rates will create an unsustainable cost structure for non-residential development.

(11) Mixed-Use Development Charge Rate

Given the shift in provincial, regional and municipal policies and development goals over the last decade years which aim to promote intensification, smart growth and mixed use development near or in centres and corridors, our members design for this shift in development projects to adapt to such development goals.



Accordingly, our industry is assisting in the achievement of these new development goals and are proud to implement such developments.

In areas that have these characteristics, we believe that the province should recognize that there are great opportunities to enhance the use permissions to include, among other uses, mixed-use (office, retail, residential, etc). The expansion of existing uses would allow better opportunities by providing the development industry flexibility to maximize land uses to achieve the objectives to be developed within new policies, regulations and statutes.

Mixed-use developments provide the possibility of the live, work, shop and play provincial policy directive, along with the potential to reduce infrastructure cost. Given the provincial policy directive and municipal focus to promote the development of mixed-use communities, the province should support these projects by encouraging municipalities to adopt a reduced rate of development charges for mixed-use developments that is offset by the benefits of a live, work, shop and play community. This has been done in some areas. For example, the City of Markham has acknowledged the contribution that mixed-use developments make and have adopted a separate development charge for mixed-use developments.

Please see Appendix K for addition reference.

Recommendation:

- Consideration should be paid to mixed-use development projects that are in keeping with the provincial, regional and municipal policies to promote intensification and growth plan principles. The province should support mixed-use developments by encouraging municipalities to adopt a reduced development charge rate offset by the benefits of a live, work, shop and play community.

(c) NON-VOLUNTARY PAYMENTS

The application of fees and charges outside of the *Development Charges Act* and *Planning Act* is known as voluntary charges or non-voluntary payments. These payments include such things as the 10 percent development charge soft service exemption, payment of other exemptions from the development charge such as non-residential charges, community facilities that are not eligible either in part or in whole under the *Development Charges Act*, hospital contributions, general shortfalls of cash due to limits on financial tools in the legislation, and more recently, funding for private hockey rinks and Conservation Authorities.

In addition, to compound the impact of the issue, some municipalities are asking for the development charge to be front-ended by the developer, and are also asking for the up-front payment, or front-ending of non-voluntary charges as well.

These payments are out of control, and arguably, represent tax contributions and given the reluctance to increase taxes are instead imposed as special payments absorbed by new neighbours - new homeowners or



new employers. It is assumed that these voluntary payments are meant to support an expansion of municipal infrastructure and not to subsidize existing municipal services or to recovery non-development chargeable items.

For a contribution to be voluntary it must have two willing parties. It is usually the case that the party paying these charges is not willing. Rather, the payment is often made because it would take too long to appeal it to the courts or the Ontario Municipal Board and it also creates a difficult working relationship in communities where there will be ongoing future relationships.

In certain regions, access to municipal services (allocation) is not provided unless the developer provides funds to the municipality, and the funds can be used at the discretion of the municipality. Recently, municipalities have successfully levied additional charges on developers for a variety of proposed projects with questionable public policy merit.

While ‘voluntary’ in the sense that it is a contract or agreement between two parties, the agreement is only agreed to because there is no other way of getting approvals, permits or servicing to a project. Within that context, there is a significant amount of coercion that we believe requires additional provincial oversight or else this will become commonplace in the development process. The consequence of this practise, if left uncontrolled, is and will be devastating to the Ontario economy, job creation and housing affordability, as many small-scale developments that support the provincial planning directors and municipal Official Plans, do not have the financial means to typically front-end non-voluntary payments.

These voluntary payments are generally determined on a “per-unit” basis, and are typically required to be front-ended years in advance of development, yet there is no accountability to the new neighbours as to what the additional cost that they ultimately absorb will fund in relation to municipal infrastructure.

We suggest the following remedies which would leave it open to a willing payor to make a payment but also make it easier to allow an unwilling payor to object to such a payment.

Recommendations:

- The *Development Charges Act* shall state that it, along with provisions found in the *Planning Act* and the *Municipal Act*, represent a complete code for the funding of growth related infrastructure and any other payment outside of this code shall be deemed illegal with the right to go to court by application to determine the legitimacy of the payment, where desired.
- The *Planning Act* and *Places to Grow Act* should be amended to provide that servicing allocation cannot be withheld where the proper *Planning Act* approvals are in place. Section 41 and 52 of the *Planning Act* should include a section that clearly states that conditions of approval should not relate to service allocation. The appropriate legislation should also be amended to include a provision to reflect that if there is not an approved development charge in place, infrastructure delivery and servicing allocation cannot be withheld.



- In the case of a willing payor, the *Development Charges Act* should be amended to say specifically that any funds provided outside of the Act are to be recorded as debt, regardless of whether there is an explicit guarantee of repayment by the municipality. This will serve to support greater transparency and accountability to the new neighbours - new homeowners and new employers - whom ultimately absorb these unrecorded payments.

(d) SECTION 37 (DENSITY BONUSING) AGREEMENTS

To accommodate the 100,000 people and 50,000 jobs that come to the GTA every year, the Province encourages intensification, or the construction of new mid and high-rise projects. That's often more easily encouraged than achieved. For several years, the regions and local municipalities have feverishly worked to bring Regional Official Plans and Municipal Official Plans into conformity with the Growth Plan. The next incremental step in the conformity exercise is to update all affiliated by-laws with increased height and density permissions. In failing to execute this last step, and arguably the most essential step in the conformity exercise, transparency and accountability is lost.

Section 37 of the *Planning Act* allows for the municipality to increase height and density of a development beyond their current zoning provisions. For this reason it is an established feature of the development application process in the City of Toronto and some other areas of the GTA.

The application of Section 37 is an example of the lack of municipal accountability and fairness to the new neighbour. In 2011, the City of Toronto published a historical record of 438 development projects (organized by Ward) which captures secured Section 37 community benefits per project. An excerpt of this report can be found in Appendix P of this submission. As seen in the excerpt (page 1 of the 109 page record), with only four projects listed, the total cash contributions shown are over \$1 million dollars and there is no publicly available companion record to ensure that the collected funds were spent on these designated community benefits.

Developers and builders contribute millions of dollars as Section 37 contributions, which are intended to provide community amenities and facilities that should provide direct benefit to the new neighbours and the existing community. There needs to be a greater public awareness that these amenities, which are enjoyed by the community, have been provided by the builder. Some of our members have suggested that this awareness could come in the form of signage on these community amenity projects which would indicate the builder who has provided the facility or space that the neighbourhood residents and employers are enjoying. The same argument can be made for those developers and builders who are building community parks.

According to a report prepared for BILD by the Altus Group, which is found in Appendix A of this submission, from 2012 and 2013, the City of Toronto by-laws show that the average Section 37 cash contribution per unit (excluding public art) is \$3485.00 per unit, and ranges from a low \$66 per unit, to a high of \$11,806 per unit. This shows the incredible disparity, but also the uncertainty that the industry



faces when involved in Section 37 discussions with municipalities. This also shows the potentially high charge which is borne by the new neighbour as part of their new house price.

Many municipalities continue to support the out-dated zoning (under-zoning) of areas to facilitate the negotiation of appropriate densities. Ultimately, the Section 37 contribution provided by the developer is included as a cost that is absorbed by the new neighbour. In the broader planning context the collection of these fees provides questionable benefits to the surrounding community and an uneven playing field depending on local political context, as opposed to local planning context.

The application of Section 37 could be resolved if municipalities had up-to-date official plans and zoning by-laws. However, the City of Toronto experience continues to demonstrate that through the maintaining of out-dated zoning along transit corridors, the developer must negotiate a Section 37 benefit for densities that are consistent with provincial growth objectives.

Recent rulings by the Ontario Municipal Board argue that Section 37 density bonusing is not to be treated as a vehicle to generate general revenue. It has also held that bonusing must be fair, transparent, predictable and relevant. Please see the OMB case found in Appendix F of this report. These findings provide the foundation for the discussion.

In this section, the discussion and recommendations for Section 37 (Density Bonusing) are under the premise that the Provincial Growth Plan policies and objectives are the overarching guidance to land development in the planning system of Ontario.

BILD members have been actively working with its members and the City of Toronto regarding the current application of Section 37. The following recommendations reflect that ongoing advocacy on behalf of the industry.

Recommendations:

- As a matter of transparency and accountability, we recommend that Section 37 not apply to development applications that are in conformity with the Provincial Growth Plan. We recommend that the Province look to the City of Toronto Official Plan Section 5.1.1., policy 3, which states: *“If the applicable zoning has not been updated to implement this Plan or where a change of use is proposed, then the City will consider whether additional height and/or density beyond that permitted by the Zoning by-law for the use is warranted without recourse to Section 37 of the Planning Act.”* A similar, but stronger provision should be included as an amendment to the *Planning Act*.
- In the North York Centre Secondary Plan, there is an established protocol applied to development applications that are seeking additional densities. The benefitting and positive principles of the North York Centre Secondary Plan should be examined, and be the basis for establishing a consistent and predictable application for Section 37 on new developments. Please refer to Appendix G of this submission for a full description of the North York Secondary Plan example.



- Municipalities should only be allowed to access Section 37 when a municipality has established a development permit system or has updated their zoning to be consistent with the requirements of the *Planning and Conservation Land Statute Law Amendment Act (Bill 51)* which requires zoning to be updated within 3 years of an Official Plan update. OHBA supports the principle of a development permit system as this establishes regulatory simplicity and incents conformity with official plans.

The development permit system, as it stands, requires more rigorous policies to implement bonusing. And at the same time, it is better suited to regulate how the bonus density and height is deployed. It also provides a path to de-politicize deal making. Using it instead would address the need to improve transparency, consistency and accountability around bonusing. Section 37 is usually used in larger municipalities' at the most intense sites, and would therefore not be missed in most circumstances. Nor would the concept of bonusing be eliminated. Municipalities, developers and the public would experience greater certainty. The role of traditional zoning would be clarified. The perverse incentive to keep density and height artificially low to trigger Section 37 would be gone, allowing more land to be pre-zoned consistent with intensification goals in the official plan.

Recommendation:

- We recommend that when there is no development permit system in place or the municipality has not brought its zoning into conformity with either an Official Plan that is in conformity with the Growth Plan or Provincial Policy Statement (whichever applies) then bonusing only applies where height and density exceed the Official Plan or what could be reasonably contemplated by the Growth Plan or Provincial Policy Statement.

Permitting Section 37 only through a development permit system or after complying with Bill 51 and updating zoning would incent municipalities to move toward a development permit system.

While a primary reason for reform of Section 37 is due to distortions it creates for compatible development encouraged by the Growth Plan, it also remains a contribution on new development absorbed by new neighbours that is difficult to monitor.

The following transparency and accountability recommendations related to Section 37 Agreements are a result of the advocacy work that BILD has promoted.

Recommendations:

- We recommend that Section 37 contributions be invested by a specific date. Our members often hear in public consultation meetings that the community is not realizing the benefit of Section 37 contributions. That is, the municipality is not acting upon the capital projects swiftly enough or not completing them at all.
- The community should be provided assurance that the funds collected will be spent on community improvement projects. If the projects do not proceed, the funds should be returned to the applicant.

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This will incent the municipality to determine what community projects should receive Section 37 funds, along with creating direct accountability between the municipality and the existing community and the new neighbours that are funding these improvements. This direct accountability will serve to strengthen the transparency of all Section 37 contributions back to the community infrastructure it is expected to improve.

- To support this recommendation of a specific date and use of the Section 37 contribution, funding should be posted by way of a letter of credit. This will incent the municipality to complete the community improvement within its proper use and time frame, reflecting its true intent.
- Section 37 funds should be spent in areas of most need and in close proximity to the project. The funds collected should not just be directed to projects of interest to the local councillor, but on projects that better areas close to the development.
- Municipalities should be required to create community needs assessments, based on public interests, for projects that would benefit from Section 37 funding. Section 37 funding should not be collected in perpetuity for unassigned projects. As part of a needs assessment, geographical proximity of the proposed community improvements must be taken into account to ensure that those that are paying for the new improvements have the appropriate access. A definition of “close proximity” should be provided to ensure that any community improvements are in fact in close proximity to the development site.
- Early consultation is an essential component of the process and in most circumstances is currently not occurring. A reasonable Section 37 negotiation package should be made at a consultation meeting, well in advance of a final staff report being finalized. This will ensure that no surprise additional costs are absorbed by the new neighbours or are incurred very late in the development approval process without a clear rationale. Most notably, last minute negotiations should not be permitted. Also, elements related to Section 37 agreements must be identified in the staff reports related to the project-specific zoning by-laws.

The *Development Charges Act* and the *Planning Act* cannot be used by municipalities to simply extract the maximum amount possible from the new home owner and new employer. A purpose of the DCA, and indeed Section 37 is to create consistent metrics for municipalities to follow. As Section 37 is an open-ended negotiation, this is the most problematic in terms of providing a consistent framework for transparency and accountability.

Recommendations:

- Yearly reporting by a municipality, and a ceiling or cap on any valuation of the Section 37 benefits is recommended. A very detailed list of Section 37 benefits may be appropriate. Other considerations would be included in this calculation, and could potentially include, for example: mandating that heritage building improvements are included as Section 37 benefits based on actual expenditures.



- In a situation where the height or density of the building has been reduced from a predetermined Section 37 negotiation, a reduction in amount of Section 37 contribution should apply.

(e) PARKLAND DEDICATION

It is essential for all members of the public to know that as an underscored principle, our industry is firmly committed to providing parks for new development and recognize the value of parks to the natural and social environment in new community areas. Our industry is heavily entrenched and committed to the future well-being, functionality and fiscal responsibility of these development sites.

Including Parkland in this consultation is both important and timely. It has been 40 years since the alternative parkland dedication provisions were introduced into the *Planning Act* in 1973 and more than 30 years since the Province issued its most recent guideline regarding the use of the parkland dedication provisions in 1981.

A review of parkland dedication legislation is also overdue because of the rising challenge to meet housing affordability and the apparent counter-intuitive nature of parkland policies when considering the Provincial Growth Plan objectives for intensification.

Since 2005, the application and impact of outdated parkland legislation and policies including cash-in-lieu provisions in the new “intensification” regime have been raised by various local home builder associations, both by being included in numerous submissions and through meetings directly with the Ministry of Municipal Affairs and Housing.

OHBA first raised issues regarding the application of parkland policies in 2005 as part of the association response to Ontario’s Grow Plan consultations. The 2005 document, “Tools to Support Intensification”, OHBA submitted recommendations to the Province which related to parkland dedication and cash-in-lieu policies. Some of these included appropriate credits for low-rise development when these projects are mandated to set aside increasing amounts of space for open space, conservation authorities, natural linkages and storm water management ponds. All of these requirements decrease the amount of developable land and make it more difficult to achieve provincially mandated densities. As part of this submission, OHBA will resubmit its 2005 document, as its recommendations continue to be valid (see Appendix H).

Parkland dedication policies, or the improper use of, remain as one of the more regressive tools within the development process that create distortions that lower densities along growth corridors and/or has the potential to render many medium and high density development projects undevelopable by requiring nearly equal, or in some cases greater than the site areas to satisfy the parkland dedication requirements.

In order to satisfy parkland dedication requirements, especially with an insufficient amount of parkland to dedicate, developers can opt to make a cash-in-lieu of parkland payment. However, when parkland



dedication policies are transferred into a cash-in-lieu fee, not only does the cash-in-lieu of parkland methodology run counter to the goals of Places to Grow, but it is also a highly regressive tax for the new homeowner and new employer.

The timing of this Provincial review is appropriate because of the increasingly negative impact of parkland dedication requirements, in particular the use of the alternative parkland dedication requirement, on the achievement of Provincial intensification objectives as set out in the Provincial Policy Statement (2005) and the Growth Plan for the Greater Golden Horseshoe (2006).

The rigid and arbitrary application by municipalities of the alternative parkland dedication provisions in the *Planning Act* has rendered medium and high density residential developments unfeasible and, accordingly, jeopardizes the achievement of important residential and mixed-use intensification objectives.

The specific issue impacting infill and intensification projects is the inequity of the existing legislation related to the maximum parkland cash-in-lieu formula. Cash-in-lieu of parkland fees, often charged at the maximum allowable amount under the *Planning Act* significantly adds to the cost of medium and high density projects often without any relative correlations between funds received and park facility expectations for the community in question. It is also concerning when these funds are collected and the associated parkland is delivered outside of the new community area, or the associated parkland is not delivered.

As such, parkland contributions can often represent one of the largest single growth-related costs that new neighbours – both new homeowners and new employers – will fund through their purchase. This financial contribution requires direct municipal accountability to the new neighbours to ensure that the municipality has appropriately allocated the cost of park needs to their community. In absence of greater transparency, nebulous parkland dedication charges represent a large cost burden on new home buyers and are simply unacceptable.

When the parkland contributions are applied under the ratio-based formula at the maximum rate, the financial impact on the new neighbours serves as a strong disincentive to proceed with high-density development projects. The effect of these potential responses can potentially undermine municipal and provincial objectives for this type of development, resulting in appropriate high density projects being converted to mid-density or even low density communities that do not support Places to Grow objectives.

In addition, a common form of development in an urban context is mixed-use development, which can take many forms and often includes both residential and non-residential components. Although highly-promoted throughout the Places to Grow Plan, such forms of development can create difficulties in determining the cash-in-lieu contribution from the new home owner and new employer owed to the municipality for parkland contributions, especially where the land use approvals provide flexibility between residential and non-residential uses at different parkland dedication rates.

If the intensity of land use is reduced as a result of the financial impact of the parkland cash-in-lieu application, the change does have a direct impact on growth plan objectives:

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- Public transit may not be as well supported as would be achieved with more density
- Existing and planned infrastructure would not be as well used making the cost of this infrastructure on a per unit basis more expensive
- Housing affordability and choices is less likely to be achieved when units are made larger to avoid higher parkland contributions.

As stated in the *Parkland Dedication Guideline 3* published by the Ministry of Municipal Affairs and Housing in 1981, the purpose of parkland contributions are to “provide municipalities with an alternative mechanism for ensuring that sufficient land is available for use as open space to meet the needs of both present and future residents.” Provincial efforts to simply encourage responsible municipal approaches to intensification and cash-in-lieu of parkland policies have failed. The arbitrary methodology of determining parkland dedication cash-in-lieu has also created significant challenges to appropriately planning development projects. This Guideline and parkland standard were also created at a time when other “green” initiatives were not supported by public policy. Now, more and more recent development community projects are far more “greener” than previously seen.

OHBA and BILD have been addressing the inequities of parkland policies and their implementation throughout various GTA municipalities. Many of the BILD submissions that reinforce the recommendations in this report are included in the appendix for additional review and consideration. Appendix J also includes parkland dedication/CIL examples provided by association members.

The example highlighted in Appendix V compares two proposals for a development within York Region on a parcel of land adjacent to an established transit corridor. Both proposals are for an identical building form with the same square footage. However, the number of units within the building will dramatically impact the parkland dedication cash-in-lieu requirements for the project.

As highlighted in the chart, if a developer decides to build large luxury condominium units on that site, they have the ability to save over 65 percent in parkland cash-in-lieu costs over building smaller, more affordable units that are appropriate for the area. The cost difference between the two proposals is enormous as building luxury condominiums would result in a savings of over \$6 million in parkland contributions to the municipality.

This example demonstrates that the cash-in-lieu requirements are so large in certain municipalities that they prohibit a reasonable business case for the private sector to build the type of dense, infill development that is often consistent with good planning. Unfortunately, parkland dedication requirements are currently having lasting implications on the scale and type of housing being built around newer transit corridors across Ontario.

Some municipalities have taken steps to address this inequity problem by either establishing a pre-determined cash-in-lieu value per unit (i.e., \$5,500 to \$6,700 per unit), or they have provided a cap on the amount that will be taken (i.e., 10 percent to 25 percent of the value of the land). For example, the City of Toronto caps its parkland dedication rate at 0.4 hectares per 300 people, and has instituted a maximum parkland dedication ‘cost’ of 10 percent of developments less than 1 ha in size.

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The City of Brampton has a high-rise rate that uses a percent of the value of the land. As a condition of approval, Council may from time to time, offer temporary reductions to these rates to encourage economic development within defined areas of the City or to meet other objectives. For example, by way of a by-law, for multi-unit residential residential development blocks, the cash-in-lieu shall not exceed the greater of ten percent of the value of the lands, or \$3500 per residential unit. For any residential development or redevelopment of row-houses or apartments, the City may reduce the amount of cash-in-lieu by imposing a cap on the amount payable expressed as a percentage of the overall value of the land being developed or redeveloped, but not less than \$3500 per residential unit.

The City of Kitchener-Waterloo also passed a community improvement plan applicable to the downtown core area, which results in developments in the downtown core area being exempt from both development charges and parkland. Victoria Common is an example of a current development which has received a parkland dedication reduction of 85 percent relative to the 1 ha per 300 unit rate.

In addition, Goodmans LLP has provided BILD with information and potential solutions when examining parkland policies within the lens or context of the Provincial Growth Plan. We would be pleased to elaborate on the items as consultations on these matters with the Province continue. Highlights are as follows:

- Section 6 of the *Places to Grow Act* contains sufficient authority for the Minister of Infrastructure to establish a mandatory approach to parkland dedication within intensification areas.
- Policy 5.4.3.2 of the Growth Plan requires the Minister to monitor the implementation of the Growth Plan, including reviewing performance indicators concurrent with any review of the Growth Plan. As part of this monitoring, the Minister should be aware of the negative impact of certain parkland dedication standards on the intensification goals of the Growth Plan. This monitoring requirement would be supportive of the Minister’s ability to amend the Growth Plan to establish a mandatory approach to parkland dedication within intensification areas.
- The Growth Plan is generally silent regarding the provision of parkland. However, Policy 3.2.1.1 provides that infrastructure planning, land use planning and infrastructure investment will be coordinated to implement the Growth Plan. Infrastructure includes numerous items such as “community infrastructure” which is defined as “lands, buildings and structures that support the quality of life for people and communities by providing public services for health, education, recreation, socio-cultural activities, security and safety, and affordable housing.” This definition is broad enough to certainly include parkland.
- Under Policy 3.2.6 (Community Infrastructure), planning for growth will take into account the availability and location of existing and planned *community infrastructure* so that *community infrastructure* can be provided effectively and efficiently. Further, an appropriate range of community infrastructure should be planned to meet the needs resulting from population changes and to foster *complete communities*. Therefore, the efficient and effective provision of parkland is already an underlying goal of the Growth Plan, and should be further emphasized.



The legal team working with BILD is prepared to provide the contents of a potential amendment to the Growth Plan which would build on this existing foundation by establishing a mandatory approach to parkland dedication within intensification areas.

The Ministry of Municipal Affairs and Housing's "*Building Blocks for Sustainable Planning*" are a series of 12 single sheets detailing the range of planning tools available for municipalities for implementation. These buildings blocks help municipalities move towards more sustainable and investment-ready planning. There is a section included devoted entirely to parkland titled "Reduction in Parkland Dedication Payments (s.42 (6.2) and (6.3) which notes that municipalities can authorize a reduction in the amount of cash-in-lieu of parkland payments if sustainability features are included in redevelopment proposals. Despite MMAH often speaking about this material, few municipalities have chosen to grasp any of the document's suggestions and have not created local parkland by-laws to support intensification. The Province must do more to ensure that municipalities are using the tools outlined.

In order to encourage and promote complete communities in keeping with the Growth Plan Objectives, we have the following recommendations:

Recommendations:

- The *Planning Act* should be amended to establish a new maximum limit for the amount of cash-in-lieu of parkland that could be taken by the municipality. We recommend that municipalities cap their parkland dedication fees at 5 to 10 percent of the value of the development site or the site's land area as was done in the City of Toronto.
- Alternative standards that are being used by municipalities should be capped to harmonize with the 5 percent land area provisions in keeping with the original intent of this *Planning Act* provision.
- Parkland dedication by-laws, similar to many other municipal by-laws, must be appealable.
- The Province should consider additional policy guidance for parkland dedication provisions which look at requiring that the rate be based on persons per unit and not units. Smaller apartments should not be treated the same as larger apartments, townhouses or semi-detached dwellings.
- In accordance with Provincial Growth Plan initiatives, as the density of sites increase, rates should decrease in order to incent greater levels of intensification.
- The municipality should be required to prepare a community needs assessment for parkland. This assessment should include an evaluation of the benefit to existing population by reviewing the catchment area for any new parks. In turn, a reduced proportional share of the costs associated to the new park should be applied to the new development. This will help to provide a more appropriate balance between the needs and desires of existing residents. Outlining a strategy for obtaining parkland early in the development of a community will also ensure that the municipality is receiving



the best value for its parkland acquisitions. Parkland dedication should be restricted to the parkland needs generated from growth and should not subsidize the parkland needs of existing residents.

- Funds from municipal parkland cash-in-lieu accounts should only be used for parkland needs which arise from growth. In the interest of transparency and accountability, any funds previously misspent from cash-in-lieu accounts must be repaid.
- Other mechanisms that could be considered include sliding scales dependent on a needs analysis for a particular community and/or neighbourhood.
- The formula for the calculation of land value for parkland should be based on no more than the average price of the actual cost of acquisition of land to provide for parks in the municipality (i.e. not land zoned for high-density, but rather lands where the majority of parks are provided, being in traditional ground related single family developments). The City of Brampton has a high rise rate that uses a reduced percentage of the value of the land which is also worthy of strong consideration.
- We recommend that the Minister of Infrastructure exercise the ability to amend the Growth Plan to establish a mandatory approach to parkland dedication within intensification areas.
- Off-site dedication should be used to satisfy parkland requirements. Such an approach would allow for parkland to be located nearby, but outside of, the nodes and corridors within which intensification is to be focused, and would accordingly contribute to greater intensification in the locations that would most directly support transit and other intensification objectives. As well, the use of off-site dedication has the potential to reduce land acquisition costs and cash-in-lieu requirements.
- Strata Parks should be used to satisfy parkland dedication requirements. This would support efficient land use patterns and be in keeping with the Provincial Growth Plan objectives for intensification.
- Greater flexibility in the definition of acceptable parkland dedication is needed. In an urban context, greater flexibility is needed to allow for a range of park types and locations. Lands which may be accepted as parkland should include, with any appropriate discounts, lands above private underground parking facilities, woodlots, trails, floodplains and so on that can be used to fulfill public parkland functions. Additionally, both “active” and “passive” parkland should be permitted to meet the needs of municipal parkland dedication requirements.
- Consideration for the provision of private recreational facilities in the calculation of required parkland or cash-in-lieu is necessary. Although the 1973 guideline recognized the need to take this factor into consideration, it does not appear that municipalities have generally accounted for it in the implementation of their parkland policies.
- Where high density developments provide facilities, such as open spaces, exercise equipment, easements over open space in condominiums land for public through fare, etc., a discount on parkland requirements or levies should be provided or a tax rebate should be provided back to the new homeowner representing the capital/operating savings to the municipality.



- Sustainable development features should be given credit towards parkland contributions. Although the *Planning Act* currently contains a provision to allow for a reduction in cash-in-lieu where sustainability criteria have been met, we are unaware of any municipalities that have implemented this provision.
- The requirement in Section 42(6.4) of the *Planning Act* is that cash-in-lieu be calculated as of the day before a building permit is issued needs to be amended. At this point, a project has received all of its development approvals, which means that cash-in-lieu is calculated when the value of land is at its highest, ultimately having the largest financial impact on the new neighbour.
- The municipality should be required to report annually to the new neighbours - new homeowners and new employers - what their parkland funds have provided. These reports should illustrate where parkland funds came from (applicant and geography) and how the dollars were spent or pooled into other accounts including how parkland was delivered by a municipality. This direct accountability is necessary for both the new neighbours and the established community to facilitate a great understanding of the value and benefit new developments bring to the entire municipality and in creating complete communities.
- The parkland formula should be amended to reflect the necessary green space that developers must set aside. Ultimately, the land efficiency of an application will reflect in greater affordability for the new homeowner and for new employment centres as additional services like transit and community amenities can be financed and supported in the long-term.
- We encourage the Province to continue to actively promote the Ministry of Municipal Affairs and Housing own Building Blocks for Sustainable Planning which notes that municipalities can authorize a reduction in the amount of cash-in-lieu of parkland payments if sustainability features are included in redevelopment proposals.
- The Province should assist in any and all legal disputes where exorbitant parkland fees work against goals for Provincial growth and the legislated intent of planning fees in general.

(f) ADDITIONAL ISSUES & RECOMMENDATIONS:

1. Financing Municipal Infrastructure & Borrowing Capacity

Municipalities have a responsibility to plan for, and finance growth using all of the tools available to them. Some municipalities are hesitant to take on additional debt. However, there is policy merit that capital related debt may be needed to fund long-term growth related capital investments that future generations would also enjoy. In addition, the cost of this debt is fully entrenched into the *Development Charges Act*, and as such, there is limited to no cost recovery by the municipality. In short, the concept of using debt to



finance growth-related infrastructure is critical to the infrastructure financing model which is statutorily embedded in the *Development Charges Act*.

Most GTA municipalities continue to be below the Provincial 25% guidelines for borrowing (Altus, November 2013):

- Toronto – 10.4% according to provincial guideline calculation - additional capacity for \$1.2 billion more in annual debt charges (principal and interest) under the provincial guideline
- Durham Region – 3.4% - additional capacity for \$177 million more in annual debt charges
- Halton Region – 8.0% - additional capacity for \$106 million more in annual debt charges
- Peel Region – 6.2% - additional capacity for \$246 million more in annual debt charges
- York Region – 14.3% - additional capacity for \$133 million more in annual debt charges

It is notable that, although York Region has a debt capacity limit that is higher than all GTA municipalities, they still retain a AAA Debt Rating from Moody's Investor Service which is the highest rating possible. This rating allows the Region to borrow at the lowest possible cost. According to Moody's Investor Service, "*The Regional Municipality of York's AAA debt rating reflects a high level of cash and investments, prudent and far-sighted fiscal management and consistent reporting of positive operating outcomes.*" The region has received this rating for 13 years in a row.¹³ The Regional Municipality of York took one percent of their assessment growth and earmarked it for reserve of asset management.

In order to minimize debt servicing costs, it is more prudent for municipalities to borrow infrastructure-related debt costs than offload onto new home buyers and the provincial government.

Recommendation:

- Municipalities, by legislation, must be required to borrow to construct critical infrastructure in keeping with the Provincial Forecasts found in Table 3 of Places to Grow. Servicing of future development is a municipal responsibility.
- The province should recognize the enormous borrowing capacity within municipalities and while they continue to ask the province for more funds, their ability to carry debt is actually greater than the provincial government according to credit agencies.
- Where borrowing capacity of 25 percent is not being used reasonably to assist with the cost of growth related infrastructure, it serves to undermine the Growth Plan. The *Development Charges Act* and related municipal fees should provide that the obligations to growth under the Growth Plan are mandatory and servicing allocation and other permits cannot be withheld as a result of a municipal decision not to borrow to reasonable capacity within debt limits.

¹³Proposed 2014 Budget. Presentation to York Region Council (Slide 35)
<http://www.york.ca/wps/wcm/connect/yorkpublic/4da66d14-1760-44e3-a71a-cc1f3d65b18f/Proposed+2014+Budget+Presentation+to+Council.pdf?MOD=AJPERES>



- Municipalities must look to a Full Cost Municipal Revenue Model. It is essential that municipalities articulate that “full revenue” growth contributes to public services. Calculations to properly articulate the concept of “growth pays for growth” must include more than just development charges. A full cost municipal revenue model will more fairly allocate the cost of capital projects and new infrastructure to all that benefit from infrastructure that has a long life cycle. This model should include development charges, assessment increases, user fee rate growth and any grants from senior levels of government which would be taken into account in all calculations.
- A portion of municipal property assessment growth (a minimum of half) has to go towards paying for growing infrastructure and asset replacement.
- In circumstances where municipalities “refuse” to plan for growth, including debt financing to support infrastructure, the borrower should consider withholding transfer payments or declare a Provincial Interest and proceed to approve necessary infrastructure to allow development to proceed.

The Province recently announced a proposal for ‘green bonds’ as a new way to fund transit projects across Ontario. “The new bonds would capitalize on the province’s ability to raise funds at low interest rates, and serve as a tool for the government to address critical infrastructure needs, create jobs and strengthen the economy.”¹⁴ Similar financial instruments could be created by municipalities and regulated by the provincial government through the Ontario Securities Commission and Infrastructure Ontario. There are numerous examples the Ministry should examine in the United States¹⁵ and Britain¹⁶ where this practice is commonplace.

Recommendation:

- The Province should look to create new mechanisms for municipalities to finance infrastructure. While recognizing funding challenges within the federal system, Ontario could provide the legal mechanisms for municipalities to issue debt and finance infrastructure in innovative ways.
- Municipalities should be asked to explore other delivery mechanisms to provide critical infrastructure, such as utility models. There are many successful models used in other parts of the world that could be examined and applied in Ontario.

¹⁴<http://news.ontario.ca/opo/en/2013/10/province-proposes-new-way-to-fund-infrastructure.html>

¹⁵ Colorado Department of Regulatory Agencies <http://cdn.colorado.gov/cs/Satellite/DORA-SD/CBON/DORA/1251627081273>

¹⁶<http://www.telegraph.co.uk/finance/newsbysector/transport/8933384/Local-councils-turn-to-the-bond-markets-to-pay-for-infrastructure-projects.html>



2. **Front-Ending Agreements, Developer Cost Sharing Burdens and Proposed Section 59(2) Revision**

The current *Development Charges Act* does not provide adequate protection for landowners to impose equitable cost sharing among all benefitting landowners. This is true for both infrastructure and public land that is required in order to obtain land development approvals within identified planning areas.

Landowners who proceed to develop first are often required to construct or fund infrastructure that is not included in the applicable development charge by-law(s), are ineligible for inclusion or development charge recoveries are not available for a period of years after the financial commitment is made.

While the front-ending agreement provisions in Part III of the DCA are intended to assist with this situation, those provisions capture only a portion of the infrastructure that is required for development to proceed. In addition, the front-ending agreement provisions are cumbersome and few municipalities have shown any interest in administering these agreements. Where they have, municipalities have entered into development charge pre-payment and credit agreements outside the formal front-ending agreement provisions. Please refer to Appendix W for additional information related to this section.

Recommendation:

- Front-ending Agreement provisions of the *Development Charges Act* should be amended to make them less cumbersome. The Act should specify that municipalities have the jurisdiction to enter into agreements that allow them to reimburse landowners from development charge reserve funds for capital infrastructure provided by, or funded by the landowner, without having to use the current front-ending agreement provisions of the Act.

Where public land conveyances are required as a condition of development proceeding within a benefitting area, significant carrying costs are associated with holding land such as school sites for up to ten years before the land is either acquired or released. In other circumstances, public land conveyances that benefit more than one landowner are not eligible for compensation pursuant to the *Planning Act*. In both of these circumstances, there is no clear entitlement to recover the associated costs from benefitting landowners, even though their land could not proceed to develop without this land being reserved or conveyed.

Recommendation:

Proposed revisions to Section 59 of the *Development Charge Act*:

59 (1) A municipality shall not, by way of a condition or agreement under section 51 or 53 of the *Planning Act*; impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed in subsection (2).

Exceptions

(2) A condition or agreement referred to in subsection (1) may provide for,



- (a) local services, related to a plan of subdivision or within the area to which the plan relates, to be installed or paid for by the owner as a condition of approval under section 51 of the *Planning Act*;
- (b) local services to be installed or paid for by the owner as a condition of approval under section 53 of the *Planning Act*.
- (c) costs incurred for the benefit of an identified area within a municipality including land required by a municipality for public purposes where no remuneration is payable pursuant to the *Planning Act* and land or services that are eligible for inclusion in a development charge by-law prior to the availability, if any, of a credit or other recovery.

Limitation

- (3) This section does not prevent a condition or agreement under section 51 or 53 of the *Planning Act* from requiring that services be in place before development begins.

Notice of development charges at transfer

- (4) In giving approval to a draft plan of subdivision under subsection 51(31) of the *Planning Act*, the approval authority shall use its power to impose conditions under clause 51(25)(d) of the *Planning Act* to ensure that the persons who first purchase the subdivision land after the final approval of the plan of subdivision are informed, at the time the land is transferred, of all the development charges related to the development.

Exception, old agreements

- (5) This section does not affect a condition or agreement imposed or made under section 51 or 53 of the *Planning Act* that was in effect on November 23, 1991.

3. Construction Standards, Tunnelling & Valley or Infrastructure Crossings

Provincial and other regulatory agencies have imposed higher construction standards that municipalities are now required to meet. However, for years, trunk sanitary services were constructed in the low points of the watershed. The construction impact on the environment was naturally restored over time and has left no long-term damage to the environment. The issue that our members are finding with the new and higher standards is that more often than not, they do not provide any added benefit to the delivery of the service in question. The higher standards benefit the municipality or community as a whole, yet those benefits are not recognized in the development charge benefit to existing calculation which results in a larger development charge to the new neighbour.

One example of Provincial and other regulatory agencies imposing higher construction standards on infrastructure projects is on the Hanlan Water Project in the Region of Peel. Please see Appendix L. The Hanlan Water Project is the largest and most expensive infrastructure project ever undertaken by the Region. It is clear that growth is the main driver behind this project. There is also a cost saving to existing residents associated with an upgrade of infrastructure and deferral of the replacement of aging infrastructure.

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The existing watermain follows a watercourse from the Lakeview Water Treatment Plant to the Hanlan Reservoir Pumping station. The Hanlan Feedermain will be constructed on Lakeshore Road East, Dixie Road, Eastgate Parkway and Tomken Road in the City of Mississauga. As municipalities are no longer permitted to locate trunk sewers in valleys, over half of this route is now required to be tunnelled.

The time to construct, the actual construction costs, the mitigations costs and life cycle costs are intuitively, exponentially greater than twinning the sewer in its original location. If the twinning could occur in its existing location, the valleys would be restored over time and millions of dollars from the Region's new homeowners would not be wasted on this construction method.

There is a continuing and increasing emphasis on tunnelling of major infrastructure projects, for which the costs of the projects dramatically increase. Our members are very concerned with the costs involved with tunnelling infrastructure and question the benefit to both the Region and respective municipalities and the future residents.

Municipal road projects often cross creeks and streams in many locations. Similarly, rather than creating box culverts, municipalities are now requiring that bridges be built as a result of environmental considerations. Again, the higher environmental standards benefit the municipality or community as a whole, yet those benefits are not recognized in the development charge calculation for a benefit to the existing population which results in a higher development charge for new growth – which is ultimately borne by the new neighbour.

Recommendation:

- It is recommended that the higher construction standards imposed by agencies and senior levels of government be recognized in the development charges and benefit to existing calculations.
- Industry members would like to work with the Province, the public and all related agencies to develop an understanding and approach to limit the use of various, more cost-effective delivery of services such as requiring tunnelling only in those instances that are absolutely necessary.
- The *Development Charges Act* should be amended to ensure that new growth only pays for the delivery of the basic service and not all of the additional costs that are a direct result of environmental protection, as this also provides a benefit for the existing residents. Additional costs could come through other funding revenues sources such as the general tax revenue, realty tax and water sewer rates.



4. **Conservation Authority Fees**

As they are a part of the ever-increasing list of items that are included in the price of a new home, industry members have expressed significant concern with the rate at which Conservation Authority (CA) fees are increasing. More worrisome is that no methodology calculation or justification is required to support these fee increases. Conservation Authorities do not have a defined methodology to calculate fees, as municipal planning fees and development charges do.

We are also finding that there is a significant difference in CA fees across the Greater Toronto Area, and more often times than not, neighbouring CAs will have fees substantially higher (in some instances, three times or more) than the other. The disparity is particularly significant for large development applications and represents a challenge for developers conducting business in neighbouring watersheds.

Recommendation:

- We recommend that the Province develop a methodology to determine Conservation Authority fees, in order to provide transparency and accountability to the industry.

By implementing a methodology to calculate fees, we hope to have Conservation Authorities acknowledge the economies of scale in the review process, specifically that the Authority's costs to review an application do not increase proportionately as the development increases in size. For example, the costs of reviewing a 200-unit application will not be substantially different than the costs of reviewing a 300-unit subdivision application, all other things being equal.

While we acknowledge that larger developments may require additional review time by Authority staff, we would argue that the time required for review does not increase in direct proportion with the number of units. The time to review would increase in proportion to the complexity of the development application. It is reasonable to expect then, that the scope of review and staff time required to complete the review would be substantially less for less complex applications.

We believe that through the implementation of a fee calculation methodology, the Conservation Authority review fee schedule will more accurately reflect the variable nature and the scope of environmental complexity of planning applications and as such, that the cost of processing and reviewing an application, is not primarily driven by the number of units in a development.

It should also be noted, that regardless of the size of a proposed development, the Conservation Authority incurs certain fixed costs in processing an application, such as wages and staffing costs, GIS and technical support, office and occupancy costs, workshop and vehicles, corporate administration, staff training, department materials and supplies, legal costs etc. Of these costs, many would be fixed costs that the Authority would incur regardless of the size of development application reviewed and thus not warranting an increased fee.



Our recommendation for a defined methodology to calculate fees would ensure that the fee reflects the level of effort required by Authority staff so that the CA fully and properly recovers its costs to perform the review function in addition to ensuring that it is on par with the fee structures of all CAs. This would in turn provide fairness in the cost of this development line item, which contributes to the cost of a new home in the CAs legislated area.

The principle of fee fairness ensures that planned growth and development pays for itself and is consistent across watersheds, thereby helping to ensure the price of new homes is not unnecessarily skewed across CAs. Furthermore, the implementation of a fee calculation methodology should be expected to significantly reduce the number of fee appeals and challenges filed with a CA.

5. HST

The introduction of the HST against the new housing and renovations sector in March 2009 created an undisputed tax windfall for the Ontario Treasury. Resale homes are exempt from the application of HST. The initial 2009 Budget proposal protected new home buyers through a New Housing Rebate with a threshold of \$400,000 to \$500,000. The Rebate was designed to capture only the pre-HST provincial tax impact at 2% for new homes under the provincial \$400,000 threshold but had an effective tax impact of 8% on the total cost of the new home over \$500,000.

Based on this original New Housing Rebate structure determined that the provincial treasury would collect \$800 million (see section S in Appendix) in new net tax revenue from the new homeowner then before the introduction of the HST. On the renovation side, the HST applied the provincial 8% tax to all renovations projects that had previously only had the required 5% GST, for an effective total of the 13% HST. The renovation industry in Ontario is a \$22 billion dollar sector, and the additional 8% captured by the implementation of the HST serves to capture \$750 million (see Section T in Appendix) in new tax revenue from the renovation consumer before the introduction of HST.

OHBA publically advocated for an improvement to the HST structure on new housing and a Renovation Tax Credit for all renovation consumers. In June 2009, Ontario introduced an Enhanced New Housing Rebate, with additional transition provisions and extended protections for substantially renovated homes. The Enhanced New Housing Rebated maintained the thresholds of \$400,000 to \$500,000 but established an effective tax rate of 8% against the value of the new home over \$500,000 million. Based on the New Rebate, OHBA has determined that the provincial treasury is capturing an addition \$400 million more in tax revenue from the new homeowner then before the introduction of HST. (See Appendix U)

OHBA continues to publically support the Enhanced New Housing Rebate with the recommendation to that the Province commit to a 5-year review of the New Housing Rebate to ensure that the effectiveness of the rebate is not undermined by new housing prices increases that push new homes out of the threshold. OHBA has a long experience regarding the current GST threshold established in 1991 (\$350,000 to \$450,000) as an example of where the intent of protecting new homeowners has been lost without an



increase in the thresholds. In 1991, over 91% of the new homeowners received a full rebate, with no adjustment to the \$350,000 threshold, in 2006 only 65% received a full rebate.

As we have illustrated through this submission, new housing prices are rising in part due to the increase of growth-related taxes being applied by municipalities and other government agencies, and it is important that the Province update the HST thresholds to reflect these increase to protect new homeowner affordability and the intent of the HST New Housing Rebate. Without adjusting the HST thresholds on regular bases the Province is guilty of an unjustified enrichment of tax revenue based on a “tax on tax” principle, undermining affordability, accountability and fairness to new neighbours.

OHBA will continue to advocate for a Renovation Tax rebate for renovation consumers, as they have not received sufficient support from the province in making their home improvements affordable. OHBA recognizes and publically supported the very limited scope of the *Healthy Homes Renovation Tax Credit*, but more must be done to support the homeowner initiated improvement to Ontario’s current housing stock, including the creation of secondary suites as part of Ontario’s *Long-term Affordable Housing Strategy*.

Recommendation:

- The province must update the \$400,000 HST threshold and commit to a regular review of HST thresholds on a regular basis to maintain and improve housing affordability.

6. LAND TRANSFER TAX

Under the *City of Toronto Act (2006)*, the Province of Ontario provided Toronto the special planning tools including the powers to implement a Toronto Lands transfer tax (TLTT). Toronto implemented the TLTT on February 1 2008, and in 2013 collected over \$356 million from this new neighbour tax. The TLTT is collected in general revenue and used to fund Toronto’s budget with no direct accountability Toronto’s new neighbours.

Recommendation:

- The Province of Ontario should not extend new land transfer taxes to any additional municipalities.

CONCLUSION

We appreciate the opportunity to submit our recommendations with respect to Ontario’s development charges and growth-related tax system. Just as our members focus on bringing forward communities that new homeowner and new employers will support, we have focused our recommendations on putting new neighbours at the centre of this discussion.



OHBA, with the support of the network of 31 local associations - from Toronto to Thunderbay, Windsor to Cornwall and Niagara to Sudbury – support an evidence-based discussion on improving affordability and fairness for new neighbours regarding the impact of development charges, parkland dedication fees, Section 37 agreements, voluntary payments and all other growth-related taxes and policies on their housing choices and business opportunities.

OHBA members from across Ontario have been very engaged with both the government and their provincial association throughout this consultation. Going forward, we expect provincial leadership to engage and meet with OHBA, its local associations, and other stakeholders to review and discuss the recommendations put forward in the consultation. We welcome and expect additional consultations prior to any new legislation, focused on providing solutions and mechanisms of greater accountability and transparency to our new neighbours.



Provincial Issues & Questions to Discuss – Development Charge Consultation Document

The following section answers the questions as outlined in the *Development Charges in Ontario Consultation Document*. Its purpose is to provide a summary of the context, industry position and recommendations based on the consultation questions. This section is not a comprehensive response to the review and references our formal submission document for additional background.

We are pleased to provide our comments on this important review of development charges in Ontario. As the voice of the land development, new residential housing and professional renovation industry in Ontario, OHBA through our local associations advocate for housing choice and affordability. This consultation is the opportunity for OHBA to present to the provincial government the impact of the current growth-related tax regime on housing choice and affordability on Ontario's new neighbours – new homeowners and new businesses – who will be living in new sustainable communities across the Province.

The summary below should be read in conjunction with our formal response which we hope will inform the government to make a development charges regime that is more predictable, transparent and accountable to new neighbours across Ontario.

For additional context and recommendations that reflect the highlights that you see in the section below, please refer to the main body of this report.

THE DEVELOPMENT CHARGE PROCESS

1. Does the development charge methodology support the right level of investment in growth-related infrastructure?

The cornerstone of any changes to the *Development Charges Act* must be affordability and fairness to new neighbours. OHBA recognizes that the three themes the Ministry has identified: affordability, economic growth, and transparency and accountability support these themes.

Through the consultation documents the Province has determined that municipalities annually collect \$1.3 billion dollars from new neighbours through development charges alone. The province should take the next step in their research and determine the total annual municipal revenue collected from all growth-related taxes such as parkland dedication fees, Section 37, and voluntary payments that new neighbours fund.

The development charge methodology as defined under the Act attempted to strike a balance between stakeholders. However, municipalities have found alternative ways to raise revenue for infrastructure that go beyond the scope of the legislated requirements, using mechanisms including contingency reserve funds, enhanced historical service standards, and disproportionate share between a benefit to the existing population and new communities. New growth municipalities have also found ways to limit their infrastructure-related borrowing obligations using mechanisms that fall outside of the original intent of the Act. The burden of this municipal financial obligation has fallen on the shoulders of new neighbours.



The recommendations in this report focus on a better recognition in the methodology of cost allocation between new and existing residents.

2. Should the *Development Charges Act, 1997* more clearly define how municipalities determine the growth-related capital costs recoverable from development charges? For example, should the Act explicitly define what is meant by benefit to existing development?

The industry recognizes and supports the principle that ‘growth should pay for growth’. However, municipalities often do not live up to this standard and impose a significant financial burden on new neighbours to fund infrastructure that benefits existing residents. When this occurs, new neighbours end up paying for more than their fair share. In this submission, we recommend that the *Development Charge Act* must clearly define what is meant by benefit to the proposed development and what is considered a benefit to the existing population. One example of improving accountability in this area would be to have the Act require that current usage rates such as water consumption and sewage flows to be required inputs in a development charge background study. This will ensure a more equitable distribution of costs.

Additional comments on this topic area can be found Section (b) of this report.

3. Is there enough rigour around the methodology by which municipalities calculate the maximum allowable development charges?

Accountability and transparency must be fundamental cornerstones of a development charges regime. It is essential that municipalities articulate that ‘full revenue’ growth contributes to public services. Calculations must be more than simply development charges to properly articulate the concept of ‘growth pays for growth’. Its primary purpose would be to more fairly allocate the cost of capital projects and new infrastructure to all that benefit from infrastructure that has a long life cycle. A full revenue model would include development charges, property assessment increases, user fee rate growth, and any grants from senior levels of government.

Additional comments on this topic area can be found in Section (b) of this report.

ELIGIBLE SERVICES

4. The *Development Charges Act, 1997* prevents municipalities from collecting development charges for specific services, such as hospitals and tourism facilities. Is the current list of ineligible services appropriate?

The industry supports the principle that ‘growth should pay for growth’. Therefore we agree that infrastructure related to the direct core infrastructure costs that result from the new community should be included in a development charge. However, many of the development charges being levied on new neighbours do not actually correspond with that new neighbour moving in. For instance we do not see a correlation between the development of a new single-detached house in a municipality to generate the need for a new unit of social housing in a region. If municipalities want a share of new housing units to be social housing, they could include those provisions in their Official Plans. We also have similar concerns



about development charges cross-subsidizing already needed asset replacement in communities such as police cars. The industry does not support expanding the current list of ineligible services. No provincial infrastructure, including hospitals, shall be eligible for inclusion in the charge and the Act should stipulate this exclusion specifically.

5. *The Development Charges Act, 1997, allows municipalities to collect 100% of growth-related capital costs for specific services. All other eligible services are subject to a 10% discount. Should the list of services subject to a 10 % discount be re-examined?*

The current system was established in order to create some municipal fiscal accountability in the design and construction of new capital expenditures. Without a 10 percent discount, municipalities would have no incentive to control costs even when it is the existing tax base that must fund the operating costs after the project is complete. The industry associations would be willing to consult further to changes to the present system only if new and robust measures were established through legislative changes that better mandate future municipal cost ownership post-asset construction.

Additional comments on this topic area can be found in Section (b)7 of this report.

6. *Amendments to the Development Charges Act, 1997 provided Toronto and York Region an exemption from the 10 year historical service level average and the 10% discount for growth-related capital costs for the Toronto-York subway extension. Should the targeted amendments enacted for the Toronto-York Subway Extension be applied to all transit projects in Ontario or only high-order (e.g. subways, light rail) transit projects?*

No. To be clear, the suggestion that new neighbours should carry an additional financial cost to support the transit runs counter to the provincial objectives to support affordable transit-oriented communities. This suggestion only serves to generate a new cost for those new neighbours to carry. It should be recognized that the existing community will benefit from the improvement in transit long before new neighbours move into their new communities.

The industry recognizes and supports the investment and creation of transit-oriented communities. Our associations have been a strong supporter of an increased role by the federal government in funding transit and welcomed the transfer of gas tax to fund municipal infrastructure. OHBA also supported Provincial initiatives such as the *Provincial-Municipal Fiscal and Service Delivery Review* released in Fall 2008 and the *Ontario Municipal Partnership Fund*. The province has made significant changes that should allow municipalities more fiscal capacity to meet the challenges and costs associated with delivering more transit options without adding to the current level of growth-related taxes.



RESERVE FUNDS

7. Is the requirement to submit a detailed reserve fund statement sufficient to determine how municipalities are spending reserves and whether the funds are being spent on the projects for they were collected?

The current practice of providing detailed reserve fund statements is insufficient. In recent times, municipalities have benefited from a high volume of building permit activity and the associated reserve funds reflect this activity. As noted in the province’s consultation document, in 2011 municipalities had over \$2 billion in development charge reserves. We believe that part of the reason this figure is so high is because there are not enough incentives that compel municipalities to spend the money as outlined in their background study.

Project specific reserve fund tracking should occur along with more direct communication and accountability for new neighbours that expect their development charge to go towards infrastructure they have already paid for.

Additional comments on this topic can be found in Section (b) 1 of this report.

8. Should the development charge reserve funds statements be more broadly available to the public, for example, requiring mandatory posting on a municipal website?

New neighbours continue to pay significant amounts for specific infrastructure as part of the development charge, yet they have no knowledge of how or when this money is spent. This is unfair. We believe that the municipality has an obligation to provide details on the status of projects in a community directly to those new neighbours. This will provide accountability to new neighbours, and the community at large, as to what the municipality is responsible for delivering as a result of a new development.

Additional comments on this topic can be found in Section (b) 1 of this report.

9. Should the reporting requirements of the reserve funds be more prescriptive, if so, how?

Reporting requirements should be strengthened to mandate project-specific reserve funds along with better public engagement that explains to new and existing residents the development charge project funding sources, construction timeframes and completion.

Additional comments on this topic can be found in Section (b) 1 of this report.



SECTION 37 (DENSITY BONUSING) AND PARKLAND DEDICATION QUESTIONS

10. How can Section 37 and parkland dedication processes be made more transparent and accountable?

The Section 37 and parkland dedication process are among the most opaque and unevenly applied revenue streams that municipality's utilize. This lends itself to abuse and undesirable policy consequences that can create uneven development outcomes, often distorting provincial planning objectives within the same municipality.

Section 37 of the *Planning Act* allows for the municipality to increase height and density of a development beyond their current zoning provisions. There should not be issues around Section 37 if municipalities had up-to-date official plans and zoning by-laws. In the consultation on the Land Use Planning Process we recommend that municipalities must have up-to-date zoning as per the *Planning Act* requirements before they can apply Section 37. Our recommendations include: increasing transparency and accountability by de-politicizing the Section 37 negotiation process by mandating a standardized approach in calculating Section 37 amounts.

We also support additional accountability measures that would ensure that Section 37 funds are spent in a timely fashion, in close proximity to the project and spent towards projects that meet a community needs assessment as opposed to a sometimes arbitrary project identified by the Councillor.

Parkland dedication contributions can often represent one of the largest single government imposed costs that new neighbours will fund through their purchase. This financial contribution requires direct municipal accountability to new neighbours to ensure that the municipality has appropriately allocated the cost of park needs to their community. As part of educating and informing new neighbours, the municipality should be required to report annually what their parkland funds have provided. This would create direct accountability which is necessary for new neighbours and the established community to understanding of the value and benefit new developments bring.

Additional comments on this topic can be found in Section (d) of this report.

11. How can these tools be used to support the goals and objectives of the Provincial Policy Statement and the Growth Plan for the Greater Golden Horseshoe?

PARKLAND

It has now been 40 years since the alternative parkland dedication provisions were introduced into the *Planning Act* in 1973 and more than 30 years since the Province issued its most recent guideline regarding the use of the parkland dedication provisions in 1981. Since this time the planning regime in Ontario has evolved considerably.



The Provincial Policy Statement and Growth Plan for the Greater Golden Horseshoe promote compact and transit oriented communities. The application of Parkland Dedication policies by municipalities often make achieving provincially-mandated density targets difficult as parkland requirements incent less dense building forms and larger unit sizes. OHBA and BILD have been long called for reforms of parkland dedication policies, which should be updated by standardizing municipal best practices so all areas of the Province have policies that are more responsive to the current provincial planning framework.

Some of our recommendations include:

- The *Planning Act* should be amended to establish a new maximum limit for the amount of cash-in-lieu of parkland that could be taken by the municipality. We recommend that municipalities cap their parkland dedication fees at 5 to 10 percent of the value of the development site or the site's land area as was done in the City of Toronto.
- Alternative standards that are being used by municipalities should be capped to harmonize with the 5 percent land area provisions in keeping with the original intent of this *Planning Act* provision.

For additional context and the full explanation of our recommendations, please see Section (e) of this report.

SECTION 37 AGREEMENTS

Section 37 agreements must be transparent and consistently applied. Too often the agreements are levied on new neighbours for purchasing units in projects that meet provincial planning objectives or as a result of out-dated municipal zoning. In other words, new neighbours should not be penalized for living in more compact, urban settings in the type of built-form the province supports.

In the submission for the *Planning Act* Review, OHBA has provided recommendations that promote progressive planning features such as the Development Permit System. Related to Section 37, we argue that where there is no development permit in place, or the municipality has not brought its zoning into conformity with either an official plan that is in conformity with the Growth Plan or PPS (whatever applies) then bonusing only applies where height and density exceed the official plan or what could be reasonably contemplated by the Growth Plan .

For additional context and the full explanation of our recommendations, please see Section (d) of this report.

VOLUNTARY PAYMENTS QUESTIONS

12. What role do voluntary payments outside of the *Development Charges Act, 1997* play in developing complete communities?

The term “voluntary payment” implies two willing parties. However, in this scenario, it is usually the case that one party is less willing. Payment is typically made because it would take too long to appeal it to the



courts or the Ontario Municipal Board and any attempt to not pay might jeopardize goodwill and may strain the working relationship in the future. In such an environment, there is an enormous amount of coercion on the developer that is seeking to invest in a community. Our industry does not believe this is appropriate.

Non-voluntary payments occur *because* there is no planning or community building-merit found in the *Planning Act* or *Development Charges Act*. For this reason they can have questionable public policy merit and should be forbidden by legislation.

For additional context and the full explanation of our recommendations, please see Section (c) of this report.

13. Should municipalities have to identify and report on voluntary payments received from developers?

Non-voluntary payments can be abused by the municipality to provide funds for projects the public may not understand or want. New neighbours should not have to pay for vanity projects on behalf of local political leadership.

Along with identifying and reporting requirements, the municipality must record funds collected as debt, regardless of whether there is an explicit guarantee of repayment by the municipality.

For additional context and the full explanation of our recommendations, please see Section (c) of this report.

14. Should voluntary payments be reported in the annual reserve fund statement, which municipalities are required to submit to the Ministry of Municipal Affairs and Housing?

We welcome any additional reporting requirements by municipalities that would add to transparency and fairness for the new neighbour in the process. While we disagree in principle with non-voluntary payments of any type, we support the suggestion noted in the question and urge the Province to go further in restricting the use of these types of payments.

For additional context and the full explanation of our recommendations, please see Section (c) of this report.



GROWTH AND HOUSING AFFORDABILITY QUESTIONS

15. How can the impacts of development charges on housing affordability be mitigated in the future?

Only by placing the new neighbours at the centre of this discussion can the Province effectively mitigate the impact of all growth-related taxes on housing affordability.

This submission elaborates on the key themes identified by the Province. While recently Canada has been under a low interest rate environment that allows new neighbours to borrow at historically low rates, this will end. When rates do rise, the sharp development charge increases experienced in recent times will only further erode affordability and make it more difficult for Ontarians to find an affordable home for their family. Municipalities need to recognize that new growth is not an unending pool of funding to draw from. As built-out municipalities have demonstrated, the end of growth is often accompanied by sharp property tax increases.

This submission highlights the need for additional financing mechanisms that municipalities should utilize, along with more accountable policy decisions that direct development charge money towards affordable and practical infrastructure that doesn't burden new neighbours with excessive borrowing costs.

16. How can development charges better support economic growth and job creation in Ontario?

Ontario continues to operate in a growth environment. The recent 2041 people and employment growth amendment by the Provincial Government confirms that reality. In this growth environment governments at all levels must provide infrastructure and services to support new neighbours, while also renewing and improving infrastructure and services for the existing community.

Ontario's quality of life continues to be an important economic factor in competing for international investment to support economic expansion and secure jobs. Simply put, all levels government need to be mindful of the impact of growth-related tax regime on Ontario's new neighbours as it has an impact on our global economic competitiveness.

The infrastructure program that development charge is funding must recognize both the need for strategic infrastructure to support new investment and also the need for community development plans that compliment where future families seeking employment will live.

There are many examples of where employment opportunities came forward but the growth-related taxes to bring the jobs to the community are the barrier. In these instances we have seen municipal council work to "discount" or "adjust" cost to secure the investment. The fact that municipalities need to "rework" development charges to secure new jobs for their communities clearly proves that the current thinking on development charges and economic growth are not working.



In a recent *Toronto CMA Conference Board of Canada 2014 Outlook* presentation, they noted that “increases in development charges may lower both residential and non-residential construction through the medium term.”

HIGH DENSITY GROWTH OBJECTIVES

17. How can the *Development Charges Act, 1997* better support enhanced intensification and densities to meet both local and provincial objectives?

The relationship between intensification and development charges needs to be acknowledged, improved and supported at the provincial and municipal level of government. Some stakeholders, including the Ontario Environmental Commissioner, have argued that the *Development Charges Act* creates a financial regime that makes ‘greenfield’ development cheaper and urban, more dense development more expensive. We disagree with the simplistic infrastructure cost dichotomy between urban versus ‘rural’ housing forms and we urge the government to independently explore in greater detail the subsidization narrative that development charges are “subsidizing sprawl”.

In our submission, we provide recommendations that municipalities should be required to produce a consistent set of categories within the residential and non-residential sector where the development charges would apply. We also provide a series of significant recommendations in both the Parkland and Section 37 sections which provide solutions to enhance intensification and densities to meet both local and provincial objectives.

18. How prescriptive should the framework be in mandating tools like area-rating and marginal cost pricing?

Consistency and fairness in the application of charges needs to be at the cornerstone of the development charge regime. Many municipalities provide incentives or area-specific lower development charges to incent development in areas where there less consumer demand. When this occurs, there is a recognition that development charges often act as a cost impediment for new neighbours. Our members support adjusting development charges in areas where there is local policy merit in doing so. Municipal consultation with local home building associations is critical to producing positive market outcomes for specific issues such as area-rating and marginal cost pricing, along with broader development charge issues.

19. What is the best way to offset the development charge incentives related to densities?

If the point of the original offset is to support densities in a location that the municipality has identified for this opportunity, then it is important that the municipality support the benefits from the density – such as improve ridership that help to lower the operational cost of transit, less cars on the roads, and so on, in this way, offsets can be found in new operation efficiencies of infrastructure or municipal services.



Mixed-use developments are an excellent example of the provincial directive towards live, work, shop and play community. The offsets created by improved transit ridership, reduced traffic, and environmental benefits should serve as the policy rationale for any offset.





APPENDIX to the Review of the Development Charges System in Ontario *Submission to the Provincial Government on the Development Charges System Consultation*

Prepared by the:
**Ontario Homes Builders' Association, and the
Building Industry & Land Development Association**

In conjunction with the other 30 OHBA Local Associations:

- Bluewater
- Brantford
- Chatham-Kent
- Greater Dufferin
- Durham Region
- Grey-Bruce
- Guelph & District
- Haldimand-Norfolk
- Haliburton County
- Hamilton-Halton
- Kingston-Frontenac
- Lanark-Leeds
- London
- Niagara
- North Bay & District
- Greater Ottawa
- Oxford County
- Peterborough & the Kawarthas
- Quinte
- Renfrew
- Sarnia-Lambton
- Saugeen County
- Seaway Valley
- Simcoe County
- St. Thomas-Elgin
- Stratford & Area
- Sudbury & District
- Thunder Bay
- Waterloo Region
- Greater Windsor



Submitted to: Honourable Linda Jeffrey
Minister of Municipal Affairs and Housing
January 2014

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Ontario
Home Builders'
Association

Media Release

Making Affordability and Fairness the Cornerstone of Ontario's Planning and Infrastructure Financing System.

New neighbours and existing communities deserve greater accountability and transparency from Ontario's land-use planning and infrastructure financing system.

Toronto, October 24, 2013 – The Ontario Home Builders' Association (OHBA) looks forward to responding to the Minister of Municipal Affairs and Housing's announced review of Ontario's land-use planning/appeals system, development charges and other municipal fees that finance infrastructure projects across the province.

"The facts are, new neighbour taxes in the form of development charges, parkland levies, and other government imposed fees have been dramatically increasing across the province for the last 10 years and directly impacting housing affordability for Ontarians. This consultation is an opportunity for new neighbours, municipalities, the building and development industry and the province to make affordability and fairness the cornerstone of Ontario's infrastructure financing system," said OHBA CEO Joe Vaccaro.

The two separate, but concurrent provincial consultations will evaluate Ontario's development charges system including other related municipal measures that levy costs on new neighbourhoods such as parkland dedication policies and section 37 density bonusing agreements. The second consultation will review Ontario's land-use planning system and appeals process.

"Time and time again we see how difficult it is to get politics out of planning decisions. We need to have a fact-based discussion about how Ontario's complex public planning system requires a nonpolitical, adjudicative tribunal. Without it, planning decisions will be undermined by political pressure. A non-partisan, adjudicative tribunal can ensure governing legislation and good planning principles are applied to bring complete and livable communities forward that will serve the needs of Ontario's growing population, create economic opportunities and support infrastructure investments across the province," stated Vaccaro.

It is time to educate all participants in the public planning process – existing residents, future residents, new neighbours, municipalities, the building and development sector and the provincial government – as we work together to make housing affordable and attract jobs to Ontario.

The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario representing 4,000 member companies organized into 30 local associations across the province. The industry contributes over \$43 billion to the provincial economy, employing over 325,000 people across Ontario.

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*For further information or to arrange an interview with OHBA CEO Joe Vaccaro
Please contact OHBA CEO, Joe Vaccaro at 416-606-3454.*

Ontario Home Builders' Association

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Government Charges and Fees on New Homes in the Greater Toronto Area

Independent Real Estate Intelligence

REVISED FINAL REPORT

July 23, 2013



Government Charges and Fees on New Homes in the Greater Toronto Area

Prepared for:

Building Industry and Land Development Association

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July 23, 2013

EXECUTIVE SUMMARY

Altus Group Economic Consulting was retained by the Building Industry and Land Development Association (BILD) to review the government charges and fees on new homes in the Greater Toronto Area (GTA).

BILD is the voice of the land development, home building and professional renovation industry in the GTA, and represents more than 1,400 member companies. BILD advocates on behalf of the industry, as well as future homebuyers to keep government charges and fees fair and reasonable.

Our review of government charges attempts to help readers understand the variety of charges imposed by the different levels of government, and the significant costs associated with the approval, building, development and ultimate occupancy of new homes across the GTA. It is important for readers to know the various fees and charges that governments collect from the development of new homes.

We have collected and compiled information on government charges for six GTA municipalities. The rates and fees reviewed in this report are current as of February 2013. This report is specific to residential home building, and does not review government charges on mixed-use or non-residential development.

The government charges reviewed in this report are paid for by land owners, developers, home builders and home buyers. The fees paid for by land owners, developers and home builders can have direct implications on the prices of new homes in the GTA. Charges paid for by new home buyers increase the costs of home ownership, and have implications on the amount of income available to pay for mortgage costs.

The issue of housing affordability poses significant challenges for the industry as it does for homebuyers in the GTA. Since 2005, the average selling price of new low-rise homes across the GTA has increased by 70%, while the average selling price of new high-rise homes has increased by 61%.

While the cost of housing is also driven by a range of economic and market factors outside of the scope of this study, the increase in government charges have also been a factor in the increased price for new homes in the GTA.

In most municipalities, the most significant government charge for new homes are development charges, which comprise from 33% to 52% of the government charges on new homes (in the five municipalities outside of the City of Toronto). Since 2004, for the municipalities studied in this report, development charges have increased between 143% and 357%.¹

Based on our review, we have found that:

- The average government charges for each new single-detached home are roughly \$116,200, or roughly 22.6% of the average price for a new home. For the six municipalities we have reviewed, the charges per home range from \$83,000 in the Town of Bradford West Gwillimbury to \$145,800 in the City of Markham.
- For a new condominium apartment, the average government charges per apartment are approximately \$64,000, or roughly 19.7% of the average price for a new condominium apartment. For the six municipalities we have reviewed, the charges per condominium apartment range from \$47,600 in the Town of Bradford West Gwillimbury to \$79,200 in the Town of Oakville.

¹ For each municipality reviewed in this report, DC rates, and the rates of other fees are current as of February 1, 2013.

Figure 1 Summary of Government Charges per New Home, Greater Toronto Area

| Municipality | Low-Rise Development | | High-Rise Development | |
|---|-----------------------------|---|----------------------------------|---|
| | Government Charges per Home | Estimated Value of Single-Detached Units ¹ | Government Charges per Apartment | Estimated Value of New Condominium Apartment Units ² |
| | <i>Dollars per Unit</i> | | | |
| Oakville / Halton Region | 141,300 | 590,000 | 79,200 | 380,800 |
| Brampton / Peel Region | 133,500 | 490,000 | 64,500 | 289,500 |
| Markham / York Region | 147,700 | 600,000 | 77,800 | 368,900 |
| Bradford West Gwillimbury / Simcoe County | 83,000 | 410,000 | 47,600 | 250,600 |
| Ajax / Durham Region | 92,400 | 460,000 | 47,900 | 250,600 |
| City of Toronto | 101,000 | 540,000 | 66,900 | 406,900 |

¹ Value of single-detached units based on 2,000 square foot home on 36' foot lots

² Value of condominium apartments based on average price of apartment in building with 150 1-bedroom apartments 600 ft2 in size each, 125 1-bedroom + den apartments 710 ft2 in size each, 150 2-bedroom apartments 920 ft2 in size each, 50 2-bedroom + den apartments 1,180 ft2 in size each, and 25 3-bedroom apartments 1,310 ft2 in size each.

Source: Altus Group Economic Consulting

- On average, 56% of government charges are levied on land owners, developers, or home builders. Charges levied during the development and/or building process are likely to get passed on to new home buyers, so long as the market will allow for an increase in prices. Where the market will not respond to an increase in prices, increased government charges will either slow the demand for new homes, or require developers to absorb the additional costs.
- On average, the other 44% of government charges are imposed directly on new home buyers. These charges add to the costs of home ownership, and reduce the amount of income available to home owners to pay for other costs of living.

Given the variety of government charges imposed on both developers and home buyers, the effect these charges have on the price of new homes, the impact the charges have on the income available for new home buyers to pay for the costs of housing, and the rationale behind each charge for the governments that levy them, the topic covered in this report is a complex one, for which there are no easy answers.

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1 INTRODUCTION

Altus Group Economic Consulting was retained by the Building Industry and Land Development Association (BILD) to review the government charges and fees on new homes in the Greater Toronto Area (GTA).

1.1 Building Industry and Land Development Association (BILD)

The Building Industry and Land Development Association (BILD) is the voice of the land development, home building and professional renovation industry in the Greater Toronto Area, and represents more than 1,400 member companies across the GTA.

The building industry is part of the economic foundation of the GTA and Ontario. In 2011, the value of new home construction in the GTA amounted to \$24.6 billion, with more than 193,000 jobs created in the new home construction, renovation and related fields last year. These jobs generated more than \$10 billion in wages for local households, as well as:

- \$1.8 billion in federal and provincial income tax revenues;
- \$840 million in CPP premiums;
- \$330 million in employment insurance premiums;
- \$1.6 billion in HST revenues to the federal government, and another \$1.9 billion to the provincial government; and
- \$1.9 billion in harmonized sales tax revenues.²

1.2 Study Purpose

Our review of government charges attempts to help readers understand the variety of charges, and the significant costs associated with the approval, building, development and ultimate occupancy of new homes across the GTA.

² Building Industry and Land Development Association.

The government charges analyzed and summarized in this report are incurred by land owners, developers, home builders and/or purchasers, and have implications for the affordability of new housing in the Greater Toronto Area.

For the government charges that are paid for by the developer or home-builder, these costs often get passed on to the end-user of a home, through increased prices or rents, where the market will allow for such increases.

Figure 2 shows the trend in the average price of new absorbed single-detached homes in six selected GTA municipalities, based on CMHC data. Since 2005, single-detached home prices have increased by between 46% and 100%.

Figure 2 Average Price of New Absorbed Single-Detached Units, GTA Municipalities

| Year | Oakville | Brampton | Markham | Bradford West Gwillimbury | Ajax | Toronto (Scarborough) |
|----------|-------------------------|----------|---------|------------------------------|---------|--------------------------|
| | <i>Dollars per Unit</i> | | | | | |
| 2005 | 532,331 | 370,881 | 381,833 | 292,271 | 321,088 | 349,258 |
| 2006 | 655,362 | 375,675 | 419,549 | 361,312 | 374,217 | 389,105 |
| 2007 | 736,788 | 399,021 | 462,911 | 373,940 | 440,897 | 449,287 |
| 2008 | 711,006 | 433,461 | 482,853 | 375,788 | 503,188 | 440,334 |
| 2009 | 934,754 | 460,487 | 548,447 | 366,913 | 474,272 | 509,653 |
| 2010 | 958,735 | 483,190 | 580,844 | 393,419 | 481,555 | 517,660 |
| 2011 | 1,588,261 | 524,958 | 564,458 | 429,614 | 502,159 | 539,902 |
| 2012 | 1,065,177 | 562,491 | 608,807 | 427,958 | 533,152 | 629,243 |
| | <i>Percent</i> | | | | | |
| % Change | 100 | 52 | 59 | 46 | 66 | 80 |

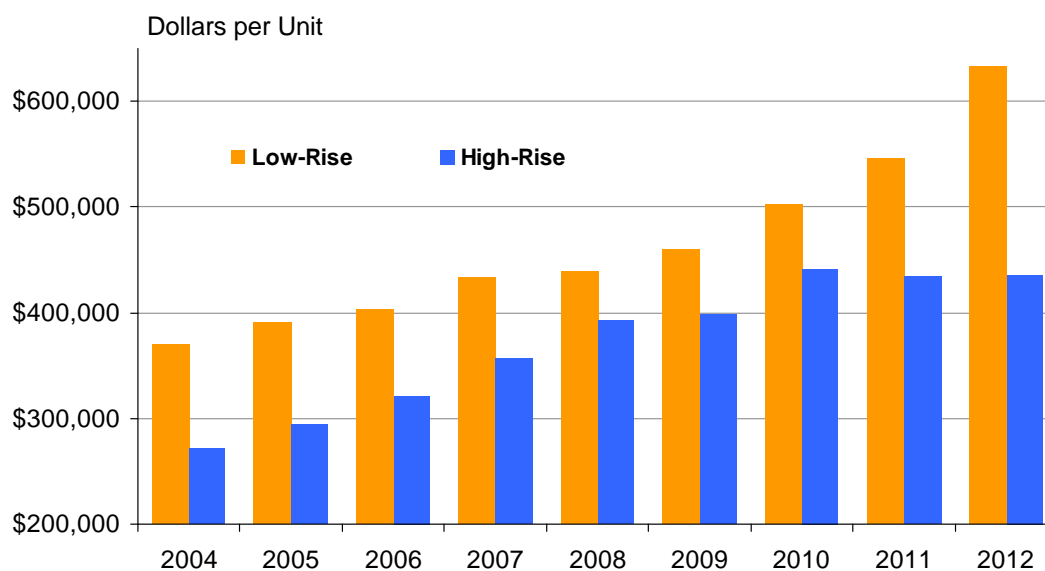
Source: Altus Group Economic Consulting based on CMHC Housing Now reports

Figure 3 shows the increase in average prices for low-rise and high-rise homes, based on RealNet data, which shows that the average price of low-rise homes across the Greater Toronto Area have increased by 70% over the 2004-2012 period, while the average price of high rise apartments have increased by 61%.³

³ Low-rise includes single-detached, link, semi-detached, and townhouse units. High-rise includes apartments, loft and stacked townhouses.

Figure 3

Average New Home Price, Low-Rise and High-Rise, 2004-2012



Source: Altus Group Economic Consulting based on Realnet data

In addition to the charges paid for by the developer or home builder, other costs are paid for directly by the purchaser of a new home. While government charges imposed directly on a home buyer do not increase the price of a new home, they do add to the costs of home ownership. Increases to the government charges paid for by new home owners can have direct impacts on the amount of income available to pay for a mortgage, as well as other costs of living.

Additionally, costs that are paid for by a developer or home builder, and then passed on through higher home prices, are also carried by home owners, through the increased interest costs associated with a larger mortgage required to finance an increased home price.⁴

⁴ For example, a house with a \$500,000 mortgage would pay approximately \$291,800 in interest costs over the life of the mortgage (over and above the principal repayment). For every additional \$10,000 in the mortgage principal, the interest costs increase by \$5,830 over the life of the mortgage (Mortgage costs based on a 25-year amortization, 4% interest rate, monthly payments).

2 METHODOLOGY

This section presents the methodology used in the calculation of government charges on new housing developments in the Greater Toronto Area. This report is specific to residential home building, and does not review government charges on mixed-use or non-residential development.

2.1 Selected GTA Municipalities

This report will analyze the government charges associated with both low-rise and high-rise developments in the four GTA regional municipalities (York, Durham, Halton and Peel), Simcoe County and the City of Toronto. For each regional municipality/County, we have selected one lower-tier municipality:

- Town of Ajax (Durham Region);
- City of Markham (York Region);
- Town of Oakville (Halton Region);
- City of Brampton (Peel Region);
- Town of Bradford West Gwillimbury (Simcoe County); and
- City of Toronto.

We have collected our information based on publicly available information or where information was not readily available, through correspondence with contacts at various government agencies. The rates for charges reviewed in this report are those that were posted by each municipality or government agency as of the time of writing this report.

2.2 Low-Rise Development

2.2.1 *Development Assumptions*

In order to quantify the total government charges for a new low-rise development in the Greater Toronto Area, we have estimated the costs associated with the application, approval and build-out of a hypothetical residential subdivision. The characteristics of the hypothetical low-rise development are as follows:

- 500 single-detached homes, each with 36 foot frontages;
- At average household size of 3.7 persons per home, the development would be built at a density of 50 persons per net hectare, which would mean the gross land area required would equal 46.3 hectares. At a net-to-gross ratio of 80%, the net land area would be 37.0 hectares; and
- We have assumed that there would be approximately 3,300 metres of local roads within the development.⁵

These development assumptions have been held constant across all six of the municipalities to allow for an “apples-to-apples” comparison. It should be recognized that the low-rise development used in this report is hypothetical only, and may not be a realistic development option in some of the municipalities reviewed.

2.2.2 *Common Assumptions*

In building our model, we have used several assumptions that were kept constant across each municipality:

Required Planning Applications – we have assumed that the low-rise development would require both lower-/single-tier and upper-tier official plan amendments, a zoning by-law amendment and plan of subdivision approval.

Average Home Size - we have assumed that each single-detached home would be 2,000 square feet, which, according to RealNet data, is roughly consistent with the average size of new single-detached homes on 36-foot lots.

Down Payment Amount - we have assumed that the average buyer of the homes would have a 15% down payment, meaning that the remaining 85% would be financed through a CMHC insured mortgage. This assumption is

⁵ 36 feet frontage per unit x 500 units = 18,000 feet of frontage. Assuming 2 units on each side of every street = 9,000 feet of road frontage, plus an assumed 20% of roads frontage for parks, etc. = 10,800 feet of roads, or 3,291 metres.

the key input in determining the amount of CMHC mortgage insurance required.

Value of Engineering Works - Our estimate of the value of engineering works is based on the 2012 Altus Group Cost Guide, which provides an estimate of the costs for site servicing. For houses on local roads, site servicing costs are estimated to be \$2,700 per metre of road frontage (which is the low end of the range provided in the Cost Guide). As we have assumed that the low-rise development will have approximately 3,300 metres of local road frontage, this means that the site servicing costs would amount to approximately \$8.9 million.

We have split the \$8.9 million servicing costs based on cost splits used in the 2009 Delta Urban study prepared for BILD.⁶ The approximately \$8.9 million in servicing costs is assumed to be broken down as follows:

- \$3,199,000 for road works;
- \$853,100 for site preparation;
- \$2,687,200 for water and sanitary sewer services; and
- \$2,148,700 for storm sewers, manholes, catch basins and storm water management pond(s).

2.2.3 *Variable Assumptions*

We have also made a number of assumptions that vary from one municipality to another:

Value of Single-Detached Homes – using RealNet data for new single-detached homes in each lower-tier municipality, we compiled data on prices for new single-detached homes marketed since 2006, and indexed the prices per square foot to 2012 dollars. We have controlled for both the size of lot and

⁶ Delta Urban Inc., *Municipal Fees and Related Charges: A Comparative Study of Development Costs Across the Greater Toronto Area*, (November 25, 2009).

size of the house, by only including houses on 34' to 38' lots, and only houses between 1,500 and 2,500 square feet in size.⁷

Land Value – It is necessary to acknowledge the differences in land values among the municipalities reviewed in this report. An assumption regarding land value is required for the calculation of property taxes payable during the application process (while the land is vacant) and to the estimate of the cost of a cash-in-lieu of parkland payment. To determine the land value in each municipality, we have taken RealNet data on the average price per hectare for land sales in each of the lower-tier municipalities. Each land sale in RealNet's database was then indexed to 2012 dollars using Statistics Canada's New Housing Price Index for land in the Toronto/Oshawa CMA.⁸

2.3 High-Rise Development

Similar to our low-rise development analysis, the high-rise development used for the analysis in this report is assumed to be residential-only, and not a mixed-use building.

2.3.1 Development Assumptions

In order to quantify the government charges for a new high-rise development, we have estimated the costs associated with the application, approval and building of a hypothetical condominium apartment building. The characteristics of the high-rise development are as follows:

- 500 condominium apartments contained in a high-rise development, located at the intersection of two arterial roads;
- The development would be built on 4.0 gross hectares of land (and would be a square-shaped site at the intersection of two arterial

⁷ The prices per square foot for new units from Realnet were indexed to 2012 value using the Realnet price index for low-rise units, based on the date each development's price lists were updated.

⁸ For the price of low-density land, we used Realnet's "low-density" land sale category. Where we need an estimate of the value of raw vacant land, we used Realnet's database of land sales for "long-term" land in each of the lower-tier municipalities. For Bradford West Gwillimbury, as no land sales were found in the Realnet database, we used East Gwillimbury as a proxy. For Toronto, we have only used land sales from the outer municipalities of the former Metro Toronto – Etobicoke, Scarborough and North York.

roads, and therefore would have 200 metres of frontage on each of its two arterial frontages);

- Parking would be provided through the construction of an underground garage.

The development assumptions have been held constant across all six of the municipalities to allow for an “apples-to-apples” comparison. It should be recognized that the high-rise development used in this report is hypothetical only, and may not be a realistic development option in some of the municipalities reviewed.⁹

2.3.2 *Common Assumptions*

In building our model, we have used several assumptions that were kept constant across each municipality:

Required Planning Applications – we have assumed that the high-rise development would require both lower-/single-tier and upper-tier official plan amendments, a zoning by-law amendment, site plan approval, and plan of condominium approval.

Mix and Size of Apartments – the mix of apartments shown in Figure 4 is assumed for the purposes of this analysis. Our assumptions would see the high-rise development include 150 one-bedroom apartments, 125 one-bedroom plus den apartments, 150 two-bedroom apartments, 50 two-bedroom plus den apartments, and 25 three-bedroom apartments.

The average apartment sizes are based on the average sizes in new high-rise developments across the GTA. See Figure 4 for the assumed mix and sizes of apartments in the hypothetical high-rise development.

The mix and size of apartments shown in Figure 4 may not reflect the mix and size of apartments and apartment buildings being built in municipalities in the GTA nor those reviewed in this report. However, we require this

⁹ In particular, the assumptions may not be realistic for a development in the City of Toronto. To address this, we have run our calculations on a more typical Toronto high-rise building, which is assumed to be built on a smaller site. The calculation of government charges per unit for a smaller site high-rise building in Toronto is presented in a footnote later in this report.

assumption to be uniform across all six municipalities, so that the results of this report can be compared on an “apples-to-apples” basis.

Figure 4 Unit Mix and Unit Sizes, Hypothetical High-Rise Development

| | One-Bedroom | One-Bedroom + Den | Two-Bedroom | Two-Bedroom + Den | 3-Bedroom | Total |
|--|--------------------|-------------------|-------------|-------------------|-----------|---------|
| | <i>Square Feet</i> | | | | | |
| Average Size per Unit (ft ²) | 600 | 710 | 920 | 1,180 | 1,310 | - |
| | <i>Percent</i> | | | | | |
| Share of Units | 30% | 25% | 30% | 10% | 5% | 100% |
| | <i>Units</i> | | | | | |
| Units by Type | 150 | 125 | 150 | 50 | 25 | 500 |
| | <i>Square Feet</i> | | | | | |
| Building Area (Units) | 90,000 | 88,750 | 138,000 | 59,000 | 32,750 | 408,500 |

Source: Altus Group Economic Consulting

Down Payment Amount - we have assumed that the average buyer of the condominium apartments would have a 15% down payment, meaning that the remaining 85% would be financed through a CMHC insured mortgage. This assumption is the key input in determining the amount of CMHC mortgage insurance required.

Gross to Net Area within the Condominium Building(s): We have assumed that the gross floor area within the apartments would comprise approximately 80% of the total area within the high-rise building(s). The remaining 20% of the building(s) would include the lobby, storage areas, amenity rooms, and other common areas. An assumption of the gross floor area of the building(s) is necessary for the calculation of building permit fees payable in some municipalities we have reviewed.

Value of Engineering Works - Our estimate of the value of Engineering Works is based on the 2012 Altus Group Cost Guide, which estimated costs for site servicing. For developments built with arterial road frontage, servicing amounted to \$3,800 per metre of frontage. As we have assumed that the high-rise development will have approximately 400 metres of arterial

road frontage, this means that the site servicing costs would amount to approximately \$1.5 million.¹⁰

We have split the \$1.5 million servicing costs based on cost splits used in the 2009 Delta Urban study prepared for BILD. The approximately \$1.5 million in servicing costs is assumed to be broken down as follows:

- \$547,100 for road works;
- \$145,900 for site preparation;
- \$459,600 for water and sanitary sewer services; and
- \$367,500 for storm sewers, manholes, catch basins and a storm water management pond.

2.3.3 *Variable Assumptions*

We have also made a number of assumptions for the high-rise development that vary from one municipality to another:

Value of Condominium Apartments – using RealNet data for new condominium apartments marketed in each municipality since 2006, we have calculated the average prices for each apartment type in each municipality. Using RealNet’s price index for high-rise apartments, the sales price for each development were indexed to 2012 dollars, based on the date that prices for each development were last updated by RealNet. We have controlled for apartment size by each type by removing apartments from the calculation that were more than 20% larger or smaller than the average apartments that have been marketed since 2006.

Land Value – It is necessary to acknowledge the differences in land values among the municipalities reviewed in this report. An assumption regarding land value is required for the calculation of property taxes payable during the application process (while the land is vacant) and the estimate of the cost of a cash-in-lieu of parkland payment. To determine the land value in each municipality, we have taken the average price per hectare for high-density

¹⁰ These costs allow for underground storm, sanitary sewer, water and hydro services, earthworks, curbs, asphalt roadways and sidewalks.

land sales in each of the lower-tier municipalities; with older land sales indexed using Statistics Canada New Housing Price Index for land in the Toronto/Oshawa CMA.¹¹

Amount of Underground Parking Required - The amount of parking required in each building would vary depending on the parking requirements in each municipality. Any differences in the size of the parking garages required may cause a difference in the cost of the required building permits.¹²

3 TYPES OF GOVERNMENT CHARGES

This section reviews the various government charges levied on new development and/or purchasers of newly-built homes. The charges reviewed include those levied by lower-tier or upper-tier municipalities, school boards, conservation authorities, the provincial government or provincial agencies, and the federal government and its agencies.

3.1 Development Charges

3.1.1 *Municipal Development Charges*

The *Development Charges Act* grants authority to municipalities to enact a development charges by-law to impose a charge against land to be developed where the development will increase the need for municipal services, thus offsetting capital costs.

Municipal development charges collect funds for services deemed as being eligible in the *Development Charges Act*, such as Parks & Recreation, Libraries, Fire Services, Police Services, Water, Sewer, Roads, Transit, etc. Where there is both an upper-tier and lower-tier municipality, the services included in each

¹¹ Where we need an estimate of the value of raw vacant land, we used Realnet's database of land sales for "long-term" land in each of the lower-tier municipalities. For Bradford West Gwillimbury, as no land sales were in the Realnet database, we used East Gwillimbury as a proxy.

¹² While higher parking requirements in a given municipality may also increase the cost of constructing an underground parking garage, we have not included these additional costs in our analysis as additional construction costs are not a direct government charge.

respective development charge are based on which tier is the provider of each service.

Each of the lower-tier/single-tier municipalities reviewed in this report imposes development charges for a variety of services. The development charge rates seen in the six lower- and single-tier municipalities, per single-detached home are:

- Town of Ajax: \$12,029 per single-detached home;
- Town of Oakville: \$18,957 per single-detached home;
- City of Brampton: \$25,351 per single-detached home;
- City of Markham: \$19,626 per single-detached home;
- Town of Bradford West Gwillimbury: \$29,024 per single-detached home; and
- City of Toronto: \$19,412 per single-detached home.

The rates for other unit types (apartments, townhouses, etc.) vary from the rates charged per single-detached home shown above.

Each municipality's respective upper-tier municipality (except Toronto, which is a single-tier municipality) also impose development charges for a variety of Regional/County services. The DC rates in the upper-tier municipalities per single-detached home are:

- Durham Region: \$20,940 per single-detached home;
- Halton Region: \$35,275 per single-detached home;¹³
- Peel Region: \$35,532 per single-detached home;
- York Region: \$40,107 per single-detached home;
- Simcoe County: \$6,172 per single-detached home.

¹³ For the purposes of this analysis, we have excluded Halton Region's proposed Developer Financing Program and the Recovery DC, as well as Bradford West Gwillimbury's early payment agreement funding amounts.

As required under the *Development Charges Act*, these development charges are to be reviewed at least every five years, and are indexed either annually or semi-annually, depending on the municipality.

The municipal DC's included in this report are based on the DC's as of February 2013.

3.1.2 Education Development Charges

Education development charges (EDC's) are collected by local municipalities on behalf of the local school boards. EDC's are used to fund the acquisition of school sites, and related costs (site preparation, etc.) to accommodate growth-related pupils. EDC's are typically charged by both public and separate school boards, and are usually levied on both residential and non-residential growth.

3.1.3 GO Transit Development Charges

Development charges are also levied to collect funds for growth-related projects associated with the GO Transit system. Each City/Region in the Greater Toronto & Hamilton Area has been allocated a share of the projected growth-related capital costs associated with the GO transit system, with the municipal, provincial and federal governments each in total funding one-third shares of the capital costs.

The GO Transit development charge were originally approved for a two-year period, with the by-laws expiring December 31, 2003. Since then, the GO Transit development charges have been updated regularly to fund a rolling ten-year budget. The expiry of the GO Transit development charges have been extended by Metrolinx through Ontario Reg. 518/10 to December 31, 2013.

The regional municipalities in the GTA (York, Peel, Durham and Halton) have implemented GO Transit development charge by-laws to fund their share of the program under the *Development Charges Act*.

3.1.4 *Area-Specific Development Charges*

Two of the municipalities reviewed in this report impose area-specific development charges. We have therefore made assumptions regarding the area that the hypothetical development would fall within:

- Town of Oakville / Halton Region – Halton Region imposes a higher development charge for homes built in the greenfield area than those built within the built boundary. For this analysis we have assumed that the low-rise development is located within the Greenfield DC area, and that the high-rise development is located within the built boundary area;
- City of Markham / York Region – The City of Markham charges area-specific DC rates depending on where a home is being developed within the City, over and above its 'Town-wide' DC rate. For this analysis, we have assumed that both the low-rise and high-rise hypothetical development are located in the Cathedral area of the City, which is subject to an area-specific DC of \$3,500 per hectare;

3.1.5 *Trend in Development Charges*

Development charges are the generally the most significant component of government charges in the municipalities we have reviewed in this report (Toronto being the exception). For the five municipalities outside of the City of Toronto:

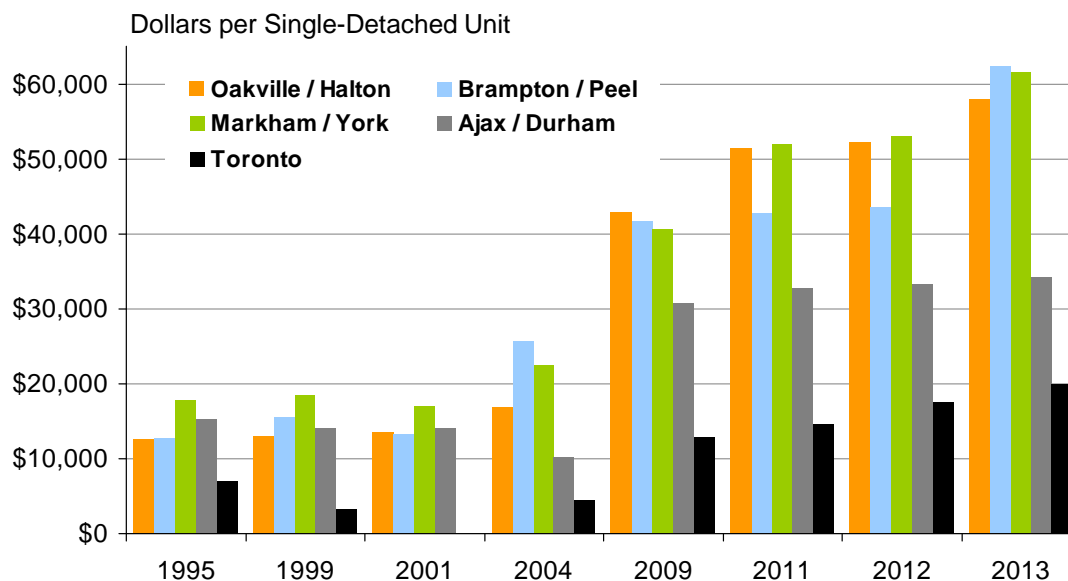
- For low-rise development, DCs comprise from 39% to 48% of all government charges;
- For high-rise development, DCs comprise between 34% and 53% of all government charges.

Figure 5 shows the significant increases to development charge rates since the mid-1990's in five of the six municipalities¹⁴, combining the various DC's payable per single-detached home. Since 1995, DC rates have increased from at least 124% in the Town of Ajax/Durham Region, to as much as 386% in the City of Brampton/Peel Region.

¹⁴ Historical data on Bradford West Gwillimbury's DC rates were not available.

Figure 5

Development Charges per Single-Detached Home, Selected GTA Municipalities



Note: Data for Bradford West Gwillimbury not shown as data for several of the years prior to 2009 was not available

Source: Altus Group Economic Consulting

3.2 Municipal Approvals & Permits

There are various fees and charges associated with the municipal approval for a development, a number of fees for the permits required for the construction of the building(s), and engineering fees and permits for the infrastructure works associated with a development.

We have attempted to group these fees into three main categories outlined below, but in many municipalities, there is no clear delineation between the departments that review plans, approve plans, and/or issue permits.

3.2.1 Planning Review Fees

For this analysis, we have assumed that the low-rise hypothetical development would require both lower- and upper-tier official plan amendments (the latter not being applicable in the City of Toronto), a zoning by-law amendment and a plan of subdivision.

We have assumed that the high-rise development would also require official plan amendments, a zoning by-law amendment, as well as plan of condominium and site plan approval.

To capture the planning review fees associated with the hypothetical developments, we have applied any applicable lower-tier or upper-tier planning review fees associated with these amendments and plan submissions.

In some municipalities, planning review fees are also charged by local Conservation Authorities and/or Health Departments. Where applicable, we have included those fees in the calculation of government charges.

3.2.2 *Building Permit Fees*

Each of the lower-/single-tier municipalities charges building permit fees, for the construction of each residential home, which they charge on a per square metre or per square foot basis.

3.2.3 *Engineering and Servicing Fees*

Each lower- and upper-tier municipality reviewed charges a variety of engineering and service fees for the development, review, inspection, connection and/or assumption of a development's water, sanitary sewer and storm sewer services. The various engineering and servicing related fees may include:

- Servicing and Subdivision Agreement & Assumption Fees;
- Engineering Inspection Fees (typically charged as a percentage of the engineering works to be done);
- Site Alteration, Soil Removal, Fill and Lot Grading Fees.
- Legal Fees

3.2.4 *Peer Review Costs*

Often, municipalities will charge for peer review of various technical documents submitted as part of a development application (i.e., stormwater

management plan, sound studies, etc.). Municipalities will typically require that developers fund the cost of these peer review studies.

Given the difficulty in quantifying the cost of the various peer reviews required for a development, we have not included these costs in our analysis. However, these costs should also be kept in mind when assessing the various government charges imposed on development.

3.3 Hydro/Utility Fees

In each municipality, the hydro-electricity provider charges service connection fees on new development. These are either recovered through future user rates, or imposed on the developer through a cost sharing agreement for the cost of the system to be built.

We have found the applicable charge levied by the hydro-electricity provider in most of our subject municipalities; however we did not receive responses from some. For municipalities where we were not able to obtain information, we have applied the average charge per new home in municipalities where information was available, as a proxy.

3.4 Property Taxes

During the development process, developers are required to pay property tax on the vacant land until such time that homebuyers begin to pay property tax on their individual properties. We have taken a similar approach to estimate these property taxes as the one used in the November 2009 Delta Urban report:

For low-rise development, we have assumed a five-year application/development period, including a 2.5-year period where the lands are assessed and taxed as farmland, and another 2.5-year period where the lands are assessed and taxed as residential.¹⁵

¹⁵ While the second 2.5-year period would more likely see a “farmland awaiting development” tax rate applied, this tax rate is not shown in some municipalities. Therefore, to be consistent across all municipalities, we have instead applied the residential tax rate for the second 2.5-year period.

For high-rise development, we have assumed a similar five-year application/development period, with the lands taxed as residential for the entire five-year period (based on the assumption that they are likely within the existing built-up area of a municipality).

3.5 Parkland Dedication / Cash-in-Lieu

Municipalities often acquire parkland and other forms of open space through parkland dedication requirements imposed on new developments. Alternatively, a developer may provide “cash-in-lieu” of parkland dedication to a municipality.

Section 42 of the *Ontario Planning Act* says that as a condition of development or redevelopment of land, that land in an amount not exceeding 5% of the land to be conveyed to the municipality for park or other public recreational purposes (section 42(1)). Alternatively, for residential developments, the land conveyed to the municipality may also be provided at a rate of 1 hectare per 300 dwelling units (section 42 (3)).

These rates are used in each municipality reviewed in this report, except the City of Toronto, which has an alternative parkland dedication rate of 2% of land area, or 0.4 hectares per 300 units. In Toronto, the payments are capped based on the size of the development site and the value of the site. For 1-5 hectare sites, the value of the payment cannot exceed 15% of the value of the site. For smaller sites (less than 1 hectare), this cap is 10% of the value of the site, while for larger sites (greater than 5 hectares) this cap is 20% of the value of the site. However, in no case can the parkland dedication or cash-in-lieu thereof be less than 5% of the site or value of the site.

Section 51.1 of the *Ontario Planning Act* says that in lieu of providing the land for parkland to the municipality, the developer may instead provide a payment to the municipality in the amount of the value of the land to be conveyed. Section 51.1 (4) says that the value of the land is to be determined as of the day before approval of the draft plan of subdivision.

We have calculated the value per hectare for development land in each municipality, based on the average price per hectare for low and/or high-density land in each of the lower-tier municipalities, taken from RealNet land sale data.

The one exception to this land value methodology is in our calculation of City of Brampton cash-in-lieu value, which prescribes land values for developments proceeding with cash-in-lieu payments in a given year. The City of Brampton's 2013 parkland dedication rates are \$550,000 per acre for single-detached homes, and \$1,575,000 (but adjusted by 60% to \$630,000) per acre for apartments.

Under the City of Toronto's alternative parkland dedication rate, parkland is to be dedicated at a rate of 0.4 hectares per 300 units.

3.6 Public Art Contributions

The Town of Oakville, the City of Markham and the City of Toronto each have public art contributions for development, set each at up to 1% of the construction cost of development.

Other municipalities appear to allow for contributions to public art, but these appear to be voluntary in nature and/or provided through Section 37 (where applicable).

3.7 Section 37

Section 37 of the *Ontario Planning Act* allows for increases in permitted height and/or density through the zoning by-law in return for community benefits, provided that Official Plan policies are in place.

Section 5.1.1 of the *City of Toronto Official Plan* sets out the City's policies regarding the provision of height and/or density incentives through Section 37 of the Planning Act. The *City of Toronto Official Plan* sets out a number of community benefits that may be provided in return for increased height and/or density, including parkland/park improvements, streetscape improvements, public art, child care facilities, etc.

While Section 37 contributions are often provided by private developers when developing in Toronto, there is no publicly available formula or method for how these are calculated and/or arrived at. Therefore, we have not attempted to include these costs in our analysis. However, they are a significant government charge, and should be kept in mind when reading this report and assessing its results.

The use of Section 37 is not as common in other municipalities outside of the City of Toronto, however it is a tool that is available through the *Ontario Planning Act*.

3.8 Tarion Enrolment Fee

For new homes, builders are required to pay a warranty enrolment fee to Tarion. The enrolment fee varies by the sale price of the home, based on the Tarion Enrolment Fee Calculation table. For example, for homes priced in the \$350,000 to \$400,000 range, the total enrolment fee is \$881.40 per home.

3.9 CMHC Mortgage Insurance

To obtain CMHC mortgage loan insurance, lenders are required to pay an insurance premium a cost that gets passed onto the borrower. The CMHC mortgage loan insurance is calculated as a percentage of the mortgage loan. The higher the percentage of the total price that is borrowed for, the higher percentage that is required to be paid in insurance premiums.

Examples of CMHC mortgage insurance premiums and loan-to-value ratios are as follows:

- Loan-to-Value ratio of 80% - 1.00% premium
- Loan-to-Value ratio of 85% - 1.75% premium
- Loan-to-Value ratio of 90% - 2.00% premium
- Loan-to-Value ratio of 95% - 2.75% premium

For the purposes of this analysis, we have assumed that buyers will have on average an 85% loan-to-value ratio, and therefore will require a 1.75% mortgage loan insurance premium.

3.10 Harmonized Sales Tax (less Eligible Rebates)

New home sales are subject to the Harmonized Sales Tax of 13%, of which 5% is the federal portion (GST), and 8% is the provincial portion (PST).

The GST payable (or federal portion) is eligible for a rebate of 36% for houses priced at \$350,000 or less, with the amount of rebate declining for houses

priced between \$350,000 and \$450,000 (on a straight line basis). There are no GST rebates available on homes priced above \$450,000.

The PST payable (or provincial portion) is also subject to a rebate, which is calculated by applying a 75% factor to the PST payable, up to a maximum rebate of \$24,000.

3.11 Land Transfer Tax

The provincial land transfer tax applies to the purchase of homes in Ontario. The progressive tax rates applied to each home are:

- 0.5% on amounts up to and including \$55,000;
- 1.0% on amounts exceeding \$55,000 up to and including \$250,000;
- 1.5% on amounts exceeding \$250,000 up to and including \$400,000; and
- 2% on amounts exceeding \$400,000.

First-time home buyers are eligible for a rebate on all or part of the land transfer tax owing, up to a maximum rebate of \$2,000. For the purposes of this analysis, we have assumed that 40% of the home buyers would be first-time home buyers and eligible for the land transfer tax rebate.

The City of Toronto also imposes its own municipal land transfer tax (MLTT), which is imposed on home sales. The rates and stages of the tax are similar to the Ontario land transfer tax, however, new home buyers are eligible for a rebate up to \$3,725 of the municipal land transfer tax owing on a property.

4 CONCLUSIONS

4.1 Low-Rise Development

Figure 6 summarizes the government charges imposed on low-rise development in each municipality and breaks down the various costs by type. The total amount of government charges are compared to the estimated

price for a new 36' single-detached home in each municipality, by calculating the ratio of total government charges to new home prices.¹⁶

Figure 6 Summary of Government Charges, Greater Toronto Area, by Type, Low-Rise Development

| Upper-Tier Municipality | Town of Oakville Halton Region | City of Brampton Peel Region | City of Markham York Region | Town of Bradford West Gwillimbury Simcoe County | Town of Ajax Durham Region | City of Toronto |
|---|-----------------------------------|---------------------------------|--------------------------------|--|-------------------------------|-----------------|
| <i>Dollars</i> | | | | | | |
| Average New Home Price - 36' Detached | 590,000 | 490,000 | 600,000 | 410,000 | 460,000 | 540,000 |
| <i>Dollars / Unit</i> | | | | | | |
| Government Charges by Type | | | | | | |
| Lower-Tier/Single-Tier DCs | 18,957 | 25,351 | 19,950 | 29,024 | 12,029 | 19,412 |
| Upper-Tier DCs | 35,275 | 35,532 | 40,107 | 6,172 | 20,940 | n.a. |
| Education DCs | 3,665 | 2,146 | 2,020 | 1,088 | 1,964 | 544 |
| GO Transit DCs | 1,032 | 476 | 314 | n.a. | 647 | n.a. |
| Planning Review Fees | 1,922 | 2,268 | 1,390 | 452 | 534 | 1,121 |
| Building Permits | 2,694 | 2,399 | 2,293 | 2,747 | 1,807 | 3,136 |
| Engineering and Servicing | 1,357 | 2,223 | 3,567 | 329 | 1,589 | 1,654 |
| Property Tax | 2,237 | 2,241 | 1,708 | 2,569 | 1,775 | 2,876 |
| Hydro | 2,049 | 3,000 | 1,900 | 1,900 | 2,049 | 1,396 |
| Parkland Dedication | 4,584 | 6,286 | 3,405 | 4,041 | 2,508 | 6,846 |
| Tarion Enrolment | 1,187 | 1,040 | 1,187 | 961 | 1,040 | 1,130 |
| CMHC Mortgage Insurance | 8,776 | 7,289 | 8,925 | 6,099 | 6,843 | 8,033 |
| Harmonized Sales Tax | 50,858 | 38,353 | 52,108 | 24,031 | 33,807 | 44,605 |
| Land Transfer Tax | 6,738 | 4,936 | 6,918 | 3,583 | 4,875 | 10,234 |
| Total | 141,331 | 133,540 | 145,791 | 82,996 | 92,405 | 100,987 |
| <i>Percent</i> | | | | | | |
| Government Charges as % of Average New Home Price | 24.0% | 27.3% | 24.3% | 20.2% | 20.1% | 18.7% |
| <i>Dollars / Unit</i> | | | | | | |
| Charges Paid By | | | | | | |
| Developer | 72,910 | 79,962 | 75,940 | 47,383 | 44,832 | 36,719 |
| Home Owner | 68,421 | 53,578 | 69,851 | 35,613 | 47,573 | 64,268 |
| <i>Percent</i> | | | | | | |
| Share of Charges Paid By | | | | | | |
| Developer | 52% | 60% | 52% | 57% | 49% | 36% |
| Home Owner | 48% | 40% | 48% | 43% | 51% | 64% |

Source: Altus Group Economic Consulting

In total, government charges for the six municipalities range from \$83,000 per home in the Town of Bradford West Gwillimbury to \$145,800 per home in the City of Markham:

- \$145,800 per home in the City of Markham/York Region;
- \$141,300 per home in the Town of Oakville/Halton Region

¹⁶ As some government charges are paid for by home buyers, not all of the government charges would affect, or be included, in the price of a home. Therefore, the ratio of government charges to new home prices should not be interpreted as the 'tax rate' on new homes. This ratio is merely shown to allow for a comparison across municipalities, and should be used with caution.

- \$133,500 per home in the City of Brampton/Peel Region;
- \$101,000 per home in the City of Toronto;
- \$92,400 per home in the Town of Ajax/Durham Region; and
- \$83,000 per home in Town of Bradford West Gwillimbury/Simcoe County.

As a percentage of average new home price, government charges range from 18.7% in the City of Toronto to 27.3% in the City of Brampton.

The most significant government charge imposed on new homes development charges, which range from approximately \$20,000 per single-detached home in the City of Toronto to \$63,500 dollars per single-detached home in the City of Brampton. Other significant costs include Harmonized Sales Tax, engineering and servicing fees, CMHC mortgage insurance, building permits, parkland dedication and land transfer taxes.

The figures in Appendix A show the government charges, for each municipality, by level of government, and by type of cost.

4.2 High-Rise Development

Figure 7 summarizes the government charges for high-rise development in each municipality. The government charges are broken down by type, and then totalled. The total government charges are then compared to the estimated price for a new condominium apartment in each municipality, by calculating the ratio of total government imposed costs to average prices (based on the mix of apartments in our hypothetical high-rise development).

Figure 7

Summary of Government Charges, Greater Toronto Area, by Type, High-Rise Development

| Upper-Tier Municipality | Town of Oakville Halton Region | City of Brampton Peel Region | City of Markham York Region | Town of Bradford West Gwillimbury Simcoe County | Town of Ajax Durham Region | City of Toronto |
|--|--------------------------------------|------------------------------------|-----------------------------------|--|-------------------------------|-----------------|
| Average Condominium Apartment Price | 380,800 | 289,500 | 368,900 | 250,600 | 250,600 | 406,900 |
| <i>Dollars</i> | | | | | | |
| Government Charges by Type | | | | | | |
| | <i>Dollars / Unit</i> | | | | | |
| Lower-Tier/Single-Tier DCs | 9,222 | 12,938 | 9,985 | 14,228 | 5,610 | 10,587 |
| Upper-Tier DCs | 13,146 | 18,680 | 21,272 | 4,278 | 9,804 | n.a. |
| Education DCs | 3,665 | 2,146 | 2,020 | 1,088 | 1,964 | 544 |
| GO Transit DCs | 539 | 250 | 151 | n.a. | 332 | n.a. |
| Planning Review Fees | 2,532 | 694 | 475 | 206 | 497 | 525 |
| Building Permits | 1,594 | 1,179 | 984 | 1,509 | 929 | 1,570 |
| Engineering and Servicing | 324 | 798 | 780 | 51 | 693 | 283 |
| Property Tax | 995 | 848 | 698 | 707 | 834 | 1,797 |
| Hydro | 142 | 142 | 140 | 140 | 142 | 145 |
| Parkland Dedication | 14,367 | 5,189 | 10,388 | 6,955 | 8,543 | 12,207 |
| Public Art Contribution | 2,102 | - | 2,102 | - | - | 2,102 |
| Tarion Enrolment | 881 | 723 | 881 | 723 | 723 | 961 |
| CMHC Mortgage Insurance | 5,664 | 4,306 | 5,487 | 3,728 | 3,728 | 6,053 |
| Harmonized Sales Tax | 20,806 | 14,767 | 19,360 | 12,627 | 12,783 | 24,392 |
| Land Transfer Tax | 3,189 | 1,883 | 3,029 | 1,317 | 1,317 | 5,722 |
| Total | 79,169 | 64,542 | 77,753 | 47,556 | 47,899 | 66,887 |
| <i>Percent</i> | | | | | | |
| Government Charges as % of Average New Home Price | 20.8% | 22.3% | 21.1% | 19.0% | 19.1% | 16.4% |
| Charges Paid By | | | | | | |
| | <i>Dollars / Unit</i> | | | | | |
| Developer | 49,368 | 43,444 | 49,737 | 29,744 | 29,930 | 30,576 |
| Home Buyer | 29,801 | 21,098 | 28,016 | 17,812 | 17,969 | 36,312 |
| Share of Charges Paid | | | | | | |
| | <i>Percent</i> | | | | | |
| Developer | 62% | 67% | 64% | 63% | 62% | 46% |
| Home Buyer | 38% | 33% | 36% | 37% | 38% | 54% |

Source: Altus Group Economic Consulting

In total, government charges for high-rise in the selected municipalities range from \$47,600 per apartment in the Town of Bradford West Gwillimbury to \$79,200 per apartment in the Town of Oakville:

- \$79,200 per apartment in the Town of Oakville/Halton Region;
- \$77,800 per apartment in the City of Markham/York Region;
- \$66,900 per apartment in the City of Toronto¹⁷;

¹⁷ We have also calculated the government charges per unit for Toronto based on a significantly smaller site of 0.3 hectares (0.75 acres). Instead of government charges of \$66,900 per apartment, the government charges would be \$53,400 per apartment, or 20% lower. The change in costs is due to lower parkland dedication costs, property taxes and engineering costs, all driven by the smaller site size.

- \$64,500 per apartment in the City of Brampton/Peel Region;
- \$47,900 per apartment in the Town of Ajax/Durham Region;
- \$47,600 per apartment in the Town of Bradford West Gwillimbury/Simcoe County;

As a percentage of the average price of a new apartment, government charges range from 16.4% in the City of Toronto to 22.3% in the City of Brampton.

The most significant government charge on new high-rise homes are development charges, which range from \$11,100 per apartment in the City of Toronto to \$34,000 per apartment in the City of Brampton. Other significant costs include parkland dedication/cash-in-lieu, Harmonized Sales Tax, engineering and servicing fees, CMHC mortgage insurance, building permits and land transfer taxes.

The figures in Appendix B show the government charges for each municipality by level of government, and by type of cost.

4.3 Implications and Conclusions

Government charges are imposed on either the land owner/developer/home builder (development charges, building permits, planning approval fees, parkland dedication, etc.), or the home buyer (CMHC mortgage insurance, HST, land transfer tax, etc.)

For low-rise homes, an average of 51% of government charges are paid for by developers/home builders, with the remaining 49% paid for directly by home buyers.

For high-rise homes, an average of 61% of government charges are paid for by developers/home builders, with the remaining 39% paid for directly by home buyers.

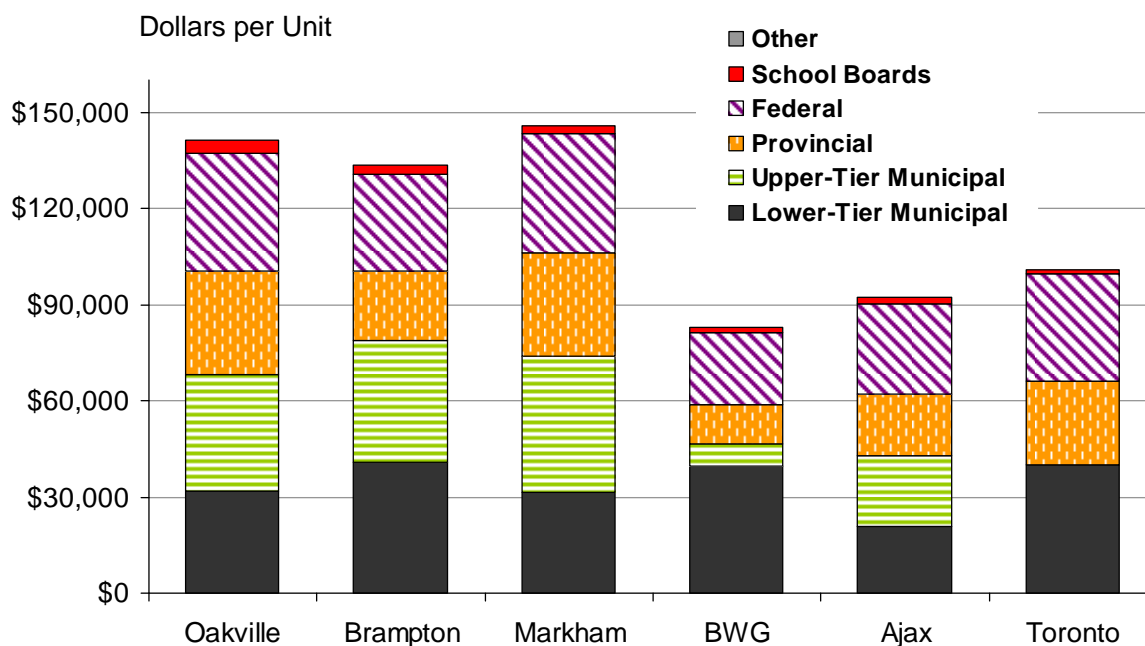
Government charges imposed on land owners/developers/home builders can have direct impacts on the price of new housing, as increased costs are likely to get passed on to new home buyers where the market will allow for increase house prices. Where the housing market may not allow for increased

house prices, homes will either become more difficult to market, prices will have to moderate, or developers will have to absorb the additional costs.

Charges imposed on new home buyers increase the costs of home ownership and reduce the amount of income available to pay on-going mortgage costs, as well as other costs of living. Additionally, where charges imposed on developers/home builders are passed on to home buyers through higher prices, home buyers will have both a higher mortgage principal to repay, but will also have higher interest costs associated with a higher mortgage.

Appendix A
Summary Charts for Costs of Low-Rise
Development

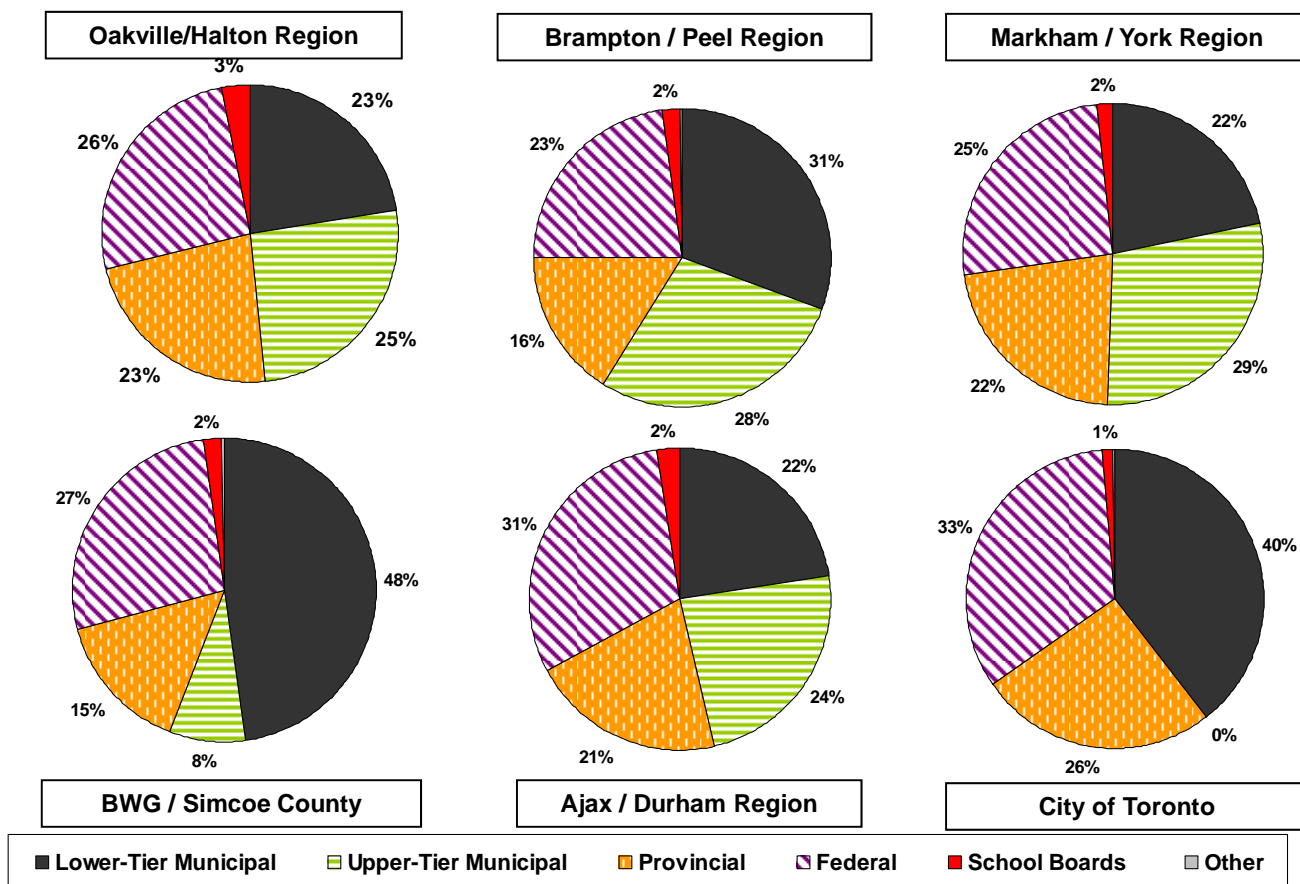
Government Charges per Low-Rise Home, by Level of Government, Selected GTA Municipalities



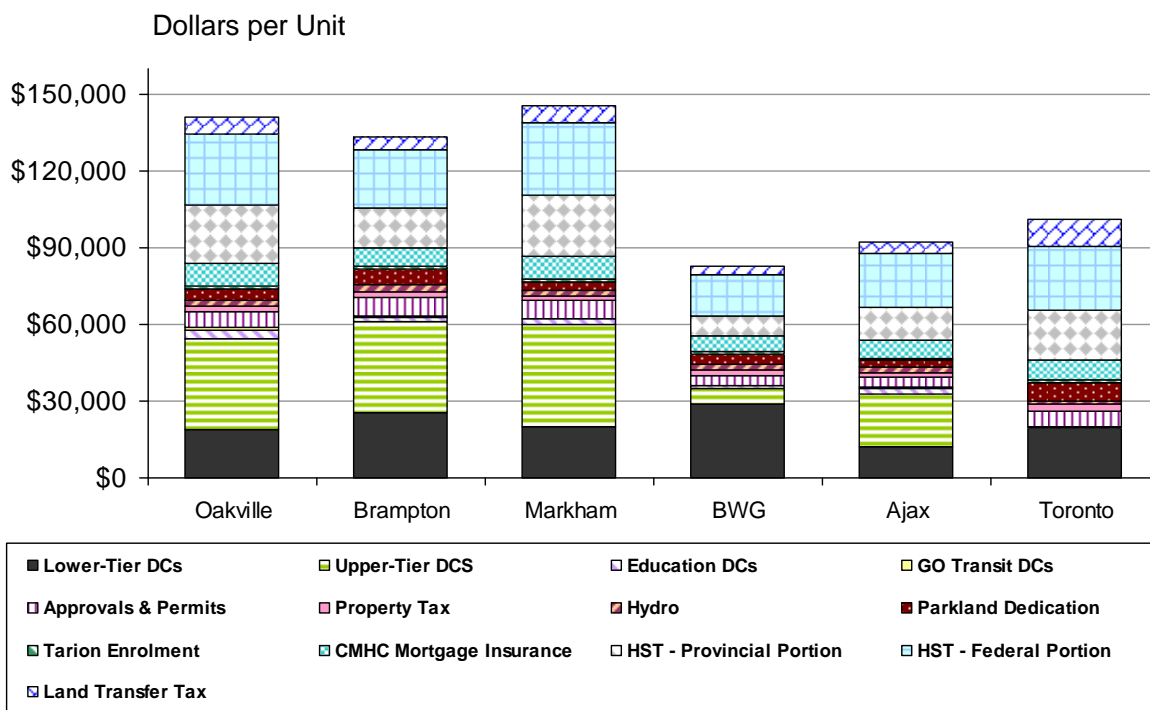
| | Oakville / Halton | Brampton / Peel | Markham / York | BWG / Simcoe | Ajax / Durham | Toronto |
|--|----------------------|--------------------|-------------------|-----------------|------------------|----------------|
| Level of Government | | | | | | |
| Lower-Tier Municipal | 31,850 | 40,766 | 31,561 | 39,635 | 20,672 | 39,869 |
| Upper-Tier Municipal | 36,501 | 37,847 | 42,197 | 6,806 | 22,179 | n.a. |
| Provincial | 32,194 | 21,654 | 32,419 | 12,420 | 19,364 | 26,167 |
| Federal | 36,434 | 30,442 | 37,033 | 22,253 | 27,849 | 33,438 |
| School Boards | 4,196 | 2,572 | 2,437 | 1,590 | 2,259 | 1,368 |
| Other | 156 | 258 | 146 | 291 | 81 | 146 |
| Total | 141,331 | 133,540 | 145,791 | 82,996 | 92,405 | 100,987 |
| Average New Home Price - 36' Detached | 590,000 | 490,000 | 600,000 | 410,000 | 460,000 | 540,000 |

Source: Altus Group Economic Consulting

Share of Government Charges, Low-Rise Development, by Level of Government, Selected GTA Municipalities



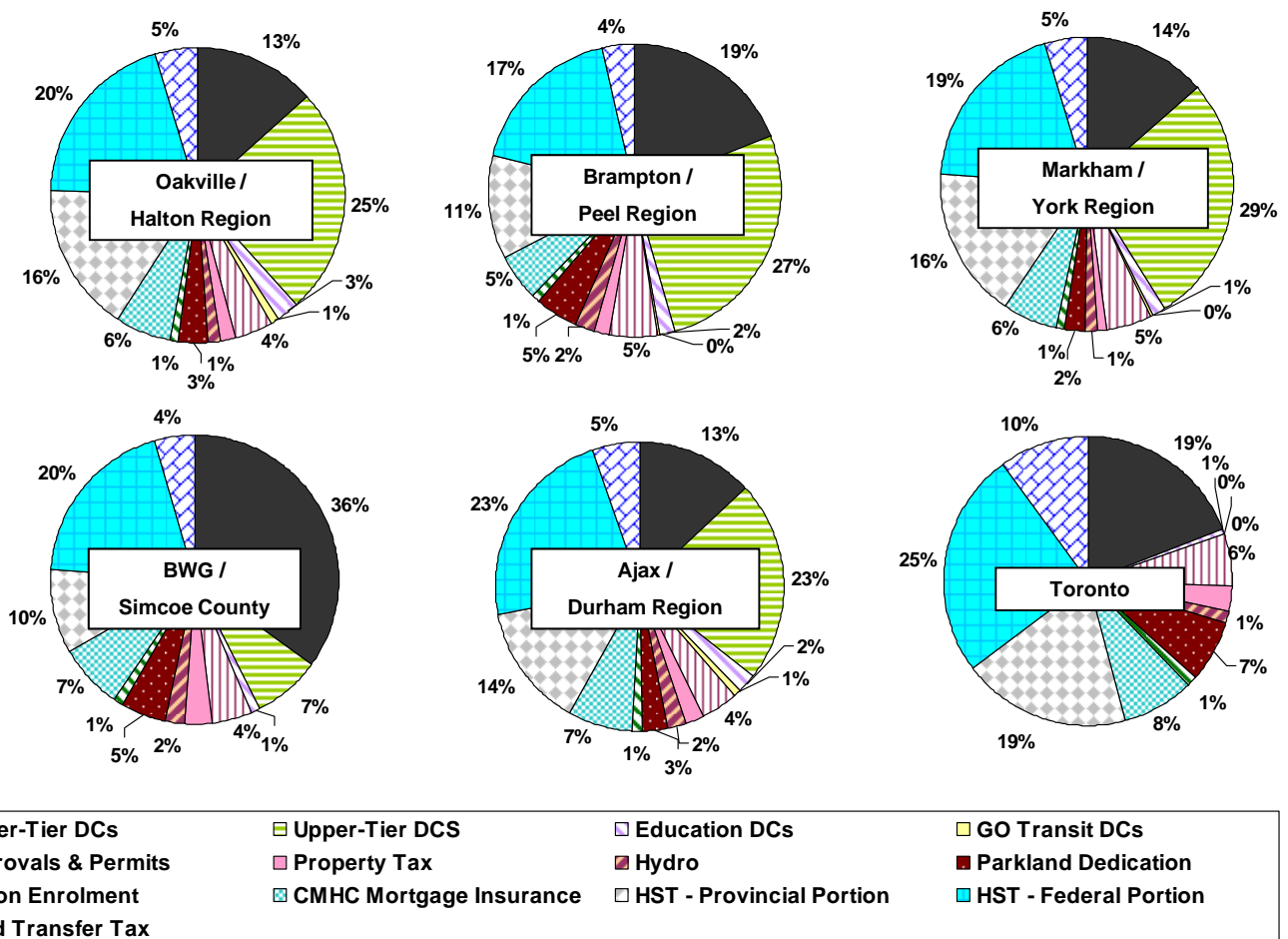
Government Charges per Home, by Type of Cost, Low-Rise Development, Selected GTA Municipalities



| | Oakville / Halton | Brampton / Peel | Markham / York | BWG / Simcoe | Ajax / Durham | Toronto |
|--|-----------------------|--------------------|-------------------|-----------------|------------------|----------------|
| | <i>Dollars / Unit</i> | | | | | |
| Lower Tier DCs | 18,957 | 25,351 | 19,950 | 29,024 | 12,029 | 19,412 |
| Upper-Tier DCs | 35,275 | 35,532 | 40,107 | 6,172 | 20,940 | n.a. |
| Education DCs | 3,665 | 2,146 | 2,020 | 1,088 | 1,964 | 544 |
| GO Transit DC's | 1,032 | 476 | 314 | - | 647 | - |
| Planning Review Fees | 1,922 | 2,268 | 1,390 | 452 | 534 | 1,121 |
| Building Permits | 2,694 | 2,399 | 2,293 | 2,747 | 1,807 | 3,136 |
| Engineering and Servicing | 1,357 | 2,223 | 3,567 | 329 | 1,589 | 1,654 |
| Property Tax | 2,237 | 2,241 | 1,708 | 2,569 | 1,775 | 2,876 |
| Hydro | 2,049 | 3,000 | 1,900 | 1,900 | 2,049 | 1,396 |
| Parkland Dedication | 4,584 | 6,286 | 3,405 | 4,041 | 2,508 | 6,846 |
| Tarion Enrolment | 1,187 | 1,040 | 1,187 | 961 | 1,040 | 1,130 |
| CMHC Mortgage Insurance | 8,776 | 7,289 | 8,925 | 6,099 | 6,843 | 8,033 |
| HST - Provincial Portion | 23,200 | 15,200 | 24,000 | 7,877 | 12,800 | 19,200 |
| HST - Federal Portion | 27,658 | 23,153 | 28,108 | 16,155 | 21,007 | 25,405 |
| Land Transfer Tax | 6,738 | 4,936 | 6,918 | 3,583 | 4,875 | 10,234 |
| Total | 141,331 | 133,540 | 145,791 | 82,996 | 92,405 | 100,987 |
| Average New Home Price - 36' Detached | 590,000 | 490,000 | 600,000 | 410,000 | 460,000 | 540,000 |

Source: Altus Group Economic Consulting

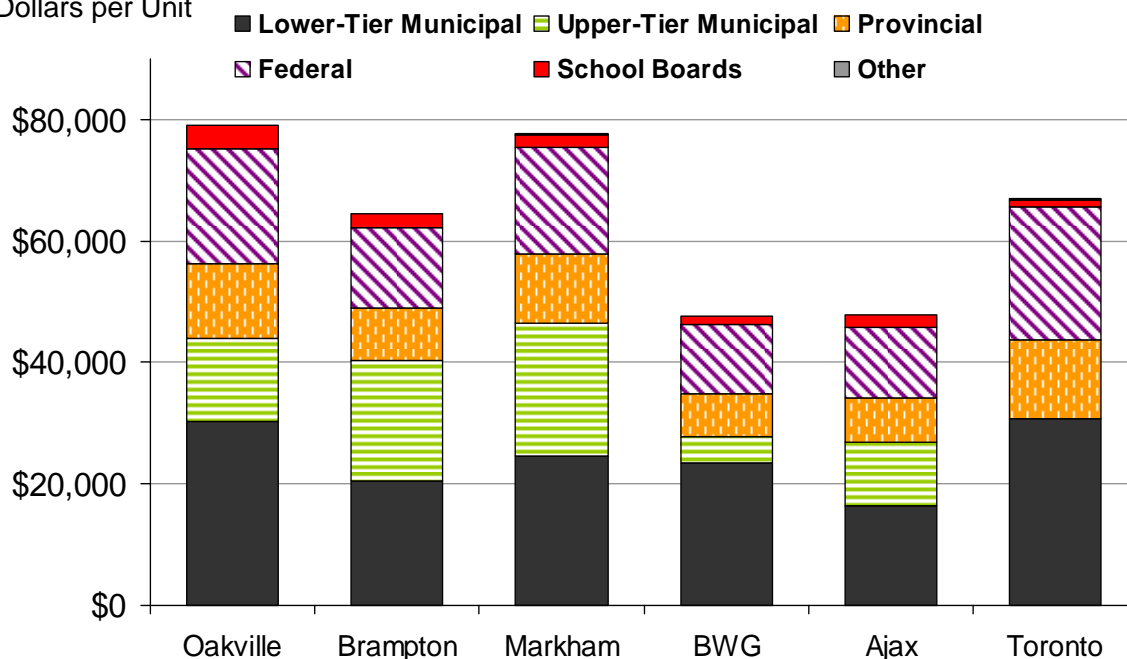
Share of Government Charges by Type of Cost, Low-Rise Development, Selected GTA Municipalities



Appendix B
High-Rise Development

Government Charges per High-Rise Apartment, by Level of Government, Selected GTA Municipalities

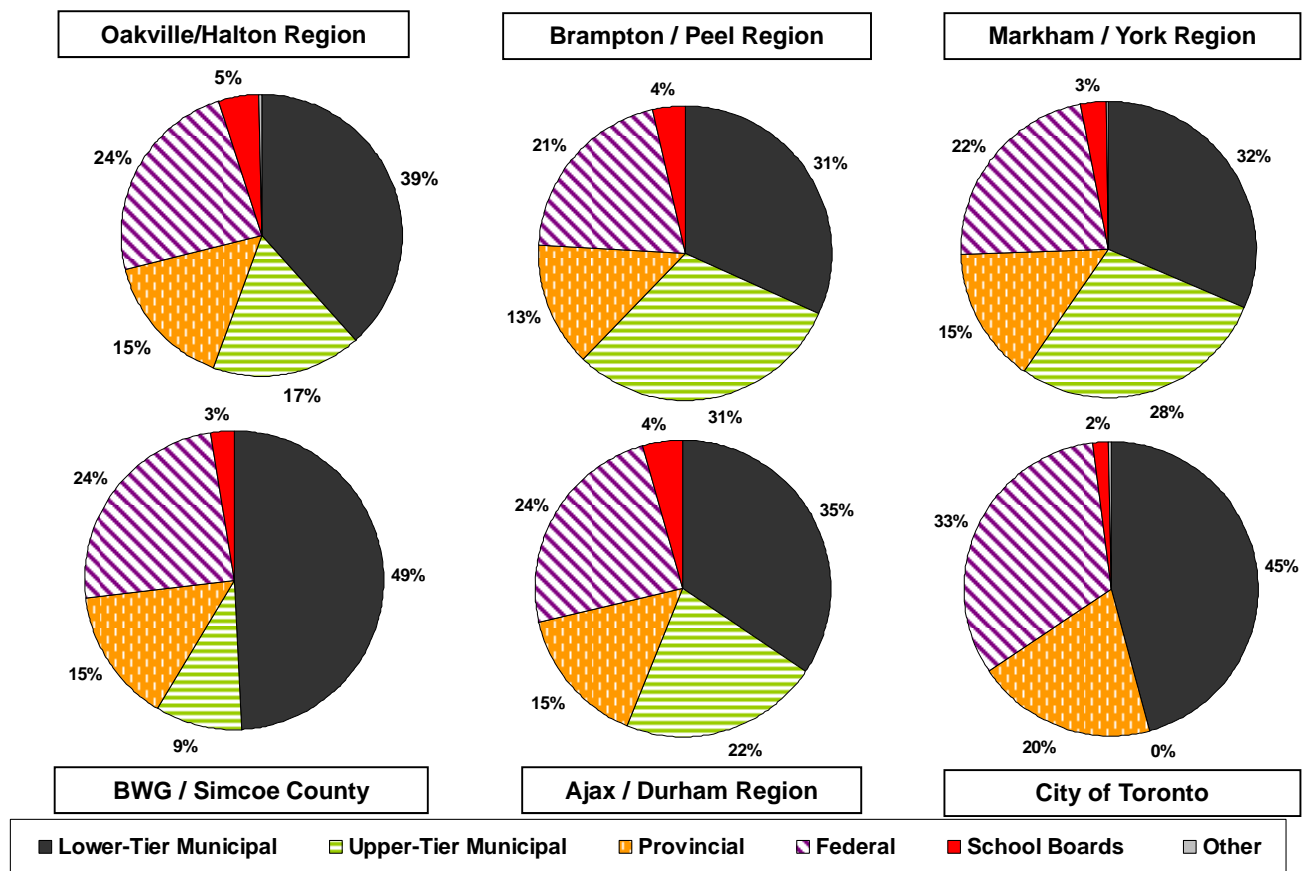
Dollars per Unit



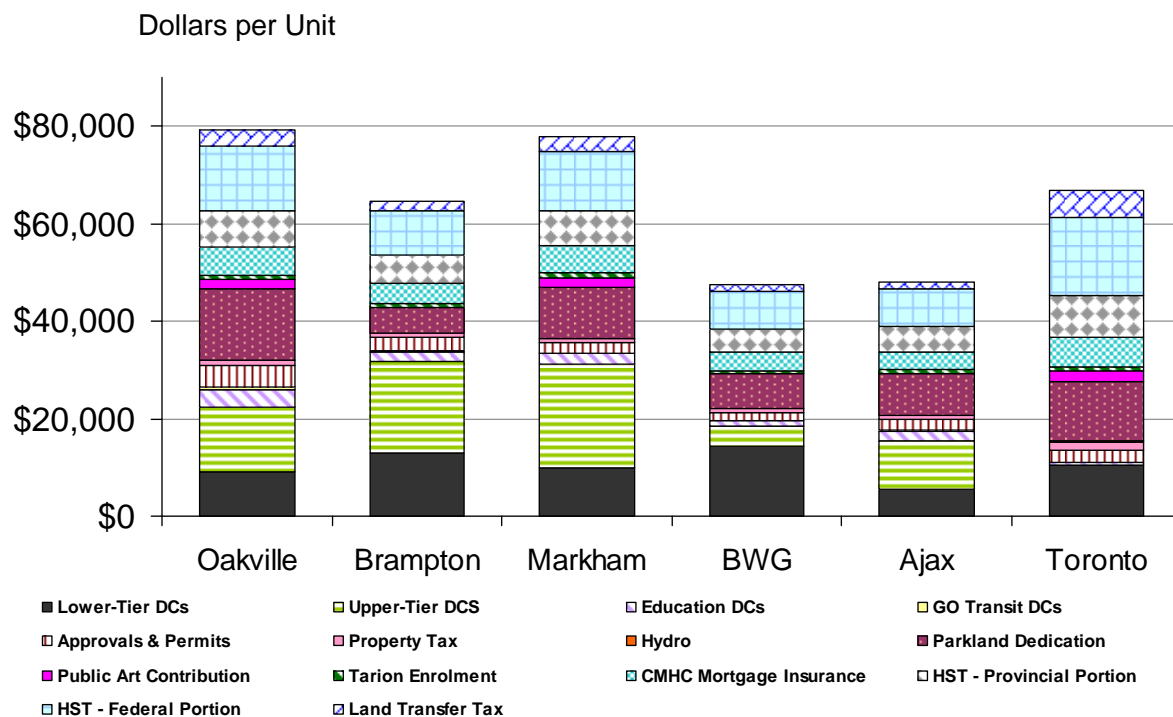
| | Oakville / Halton | Brampton / Peel | Markham / York | BWG / Simcoe | Ajax / Durham | Toronto |
|--|----------------------|--------------------|-------------------|------------------|------------------|------------------|
| Level of Government | | | | | | |
| Lower-Tier Municipal | \$ 30,344 | \$ 20,512 | \$ 24,503 | \$ 23,412 | \$ 16,505 | \$ 30,711 |
| Upper-Tier Municipal | \$ 13,677 | \$ 19,717 | \$ 21,979 | \$ 4,498 | \$ 10,365 | n.a. |
| Provincial | \$ 12,238 | \$ 8,646 | \$ 11,440 | \$ 6,897 | \$ 7,386 | \$ 13,053 |
| Federal | \$ 18,854 | \$ 13,283 | \$ 17,469 | \$ 11,498 | \$ 11,498 | \$ 21,892 |
| School Boards | \$ 3,899 | \$ 2,307 | \$ 2,190 | \$ 1,226 | \$ 2,101 | \$ 1,059 |
| Other | \$ 156 | \$ 76 | \$ 172 | \$ 25 | \$ 43 | \$ 172 |
| Total | \$ 79,169 | \$ 64,542 | \$ 77,753 | \$ 47,556 | \$ 47,899 | \$ 66,887 |
| Average Condominium Apartment Price | 380,800 | 289,500 | 368,900 | 250,600 | 250,600 | 406,900 |

Source: Altus Group Economic Consulting

Share of Government Charges, High-Rise Development, by Level of Government, Selected GTA Municipalities



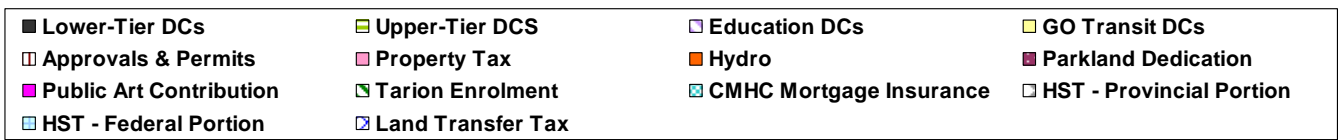
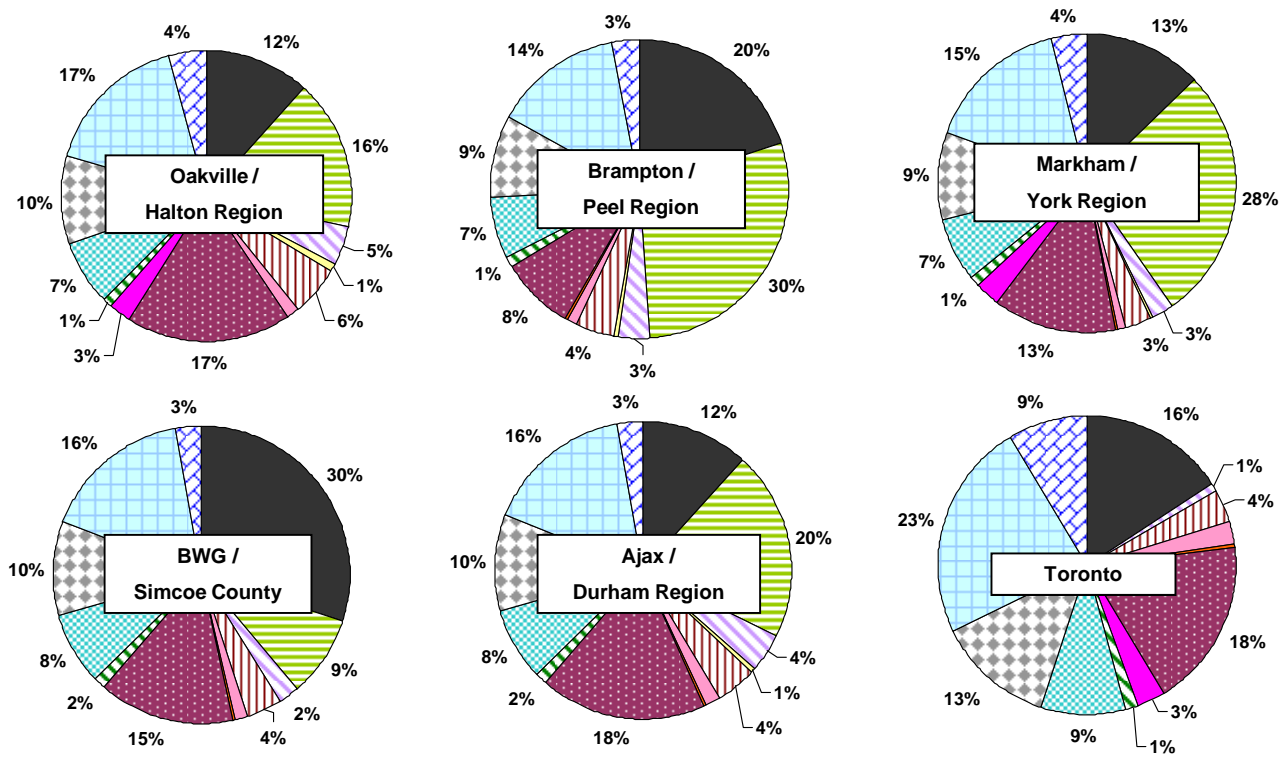
Government Charges per Apartment, by Type of Cost, High-Rise Development, Selected GTA Municipalities



| | Oakville / Halton | Brampton / Peel | Markham / York | BWG / Simcoe | Ajax / Durham | Toronto |
|--|-----------------------|--------------------|-------------------|-----------------|---------------|---------------|
| | <i>Dollars / Unit</i> | | | | | |
| Lower-Tier DCs | 9,222 | 12,938 | 9,985 | 14,228 | 5,610 | 10,587 |
| Upper-Tier DCs | 13,146 | 18,680 | 21,272 | 4,278 | 9,804 | n.a. |
| Education DCs | 3,665 | 2,146 | 2,020 | 1,088 | 1,964 | 544 |
| GO Transit DCs | 539 | 250 | 151 | n.a. | 332 | n.a. |
| Planning Review Fees | 2,532 | 694 | 475 | 206 | 497 | 525 |
| Building Permits | 1,594 | 1,179 | 984 | 1,509 | 929 | 1,570 |
| Engineering and Servicing | 324 | 798 | 780 | 51 | 693 | 283 |
| Property Tax | 995 | 848 | 698 | 707 | 834 | 1,797 |
| Hydro | 142 | 142 | 140 | 140 | 142 | 145 |
| Parkland Dedication | 14,367 | 5,189 | 10,388 | 6,955 | 8,543 | 12,207 |
| Public Art Contribution | 2,102 | - | 2,102 | - | - | 2,102 |
| Tarion Enrolment | 881 | 723 | 881 | 723 | 723 | 961 |
| CMHC Mortgage Insurance | 5,664 | 4,306 | 5,487 | 3,728 | 3,728 | 6,053 |
| HST - Provincial Portion | 7,616 | 5,790 | 7,378 | 4,857 | 5,012 | 8,552 |
| HST - Federal Portion | 13,190 | 8,977 | 11,982 | 7,771 | 7,771 | 15,840 |
| Land Transfer Tax | 3,189 | 1,883 | 3,029 | 1,317 | 1,317 | 5,722 |
| Total | 79,169 | 64,542 | 77,753 | 47,556 | 47,899 | 66,887 |
| Average Condominium Apartment Price | 380,800 | 289,500 | 368,900 | 250,600 | 250,600 | 406,900 |

Source: Altus Group Economic Consulting

Share of Government Charges by Type of Cost, High-Rise Development, Selected GTA Municipalities



Appendix C

Detailed Tables

Common and Variable Assumptions, Hypothetical Low-Rise Development in Selected GTA Municipalities
Common Assumptions

| | | |
|--|--------|-------------------------|
| Units (Single-Detached Units) | 500 | units |
| Gross Hectares | 46.3 | gross hectares |
| Net Hectares (80%) | 37.0 | net hectares |
| Density Requirement | 50 | persons per net hectare |
| Average PPU - New Single Detached unit | 3.70 | persons per unit |
| Units per Net Hectare | 13.5 | units / net hectare |
| Frontage | 36 | feet |
| Total Frontage | 18,000 | feet frontage |
| Average Size per Unit (ft2) | 2,000 | square feet |
| Average Size per Unit (m2) | 186 | square metres |
| First Time Home Buyer % | 40% | |

Servicing Costs
Dollars

| | |
|-----------------------------|-----------|
| Road Works | 3,199,029 |
| Water / Sewer Works | 2,687,184 |
| Storm Sewer Works | 2,148,681 |
| Site Preparation | 853,074 |
| Cost of Engineering Works | 8,887,968 |
| Loan to Value Ratio | 85% |
| CMHC Mortgage Premium | 1.75% |
| Number of Fixtures per Unit | 9.0 |

| | Oakville | Brampton | Markham | BWG | Ajax | Toronto |
|-----------------------------------|------------|------------|--------------------------------|------------|------------|------------|
| Variable Assumptions | | | | | | |
| | | | <i>Dollars per Square Foot</i> | | | |
| Average Value per ft2 - New Homes | \$295.54 | \$244.59 | \$299.12 | \$203.02 | \$232.45 | \$270.88 |
| | | | <i>Dollars per Unit</i> | | | |
| Average Home Value - 36' Detached | 590,000 | 490,000 | 600,000 | 410,000 | 460,000 | 540,000 |
| | | | <i>Dollars per Hectare</i> | | | |
| Value per Hectare (Residential) | 991,163 | 782,955 | 736,273 | 873,732 | 542,255 | 1,480,306 |
| Value per Hectare (Raw) | 187,742 | 205,396 | 316,702 | 114,120 | 140,363 | 529,646 |
| | | | <i>Dollars</i> | | | |
| Property Value | 45,841,273 | 36,211,662 | 34,052,623 | 40,410,127 | 25,079,307 | 68,464,172 |

Source: Altus Group Economic Consulting based on Realnet Canada, Delta Urban Inc., *Municipal Fees and Related Charges*, (November 25, 2009)

Common and Variable Assumptions, Hypothetical High-Rise Development in Selected GTA Municipalities
Common Assumptions

| | |
|-------------------------------|-------------------------------|
| Units (Single-Detached Units) | 500 units |
| Gross Hectares | 4.0 gross hectares |
| Net Hectares (80%) | 3.2 net hectares |
| Units per Net Hectare | 156.3 units / net hectare |
| Loan to Value Ratio | 85% |
| CMHC Mortgage Premium | 1.75% |
| First Time Home Buyer % | 40% |
| Total Frontage | 1,312 feet frontage |
| Building Area (Units) | 408,500 |
| Building Area (Total) | 490,200 (20% additional area) |

| | One-Bedroom | One-Bedroom + Den | Two-Bedroom | Two-Bedroom + Den | 3-Bedroom | Total |
|--------------------------------|-------------|-------------------|-------------|-------------------|-----------|-------|
| Unit Mix and Unit Sizes | | | | | | |
| Average Size per Unit (ft2) | 600 | 710 | 920 | 1,180 | 1,310 | |
| Average Size per Unit (m2) | 56 | 66 | 85 | 110 | 122 | |
| Share of Units | 30% | 25% | 30% | 10% | 5% | 100% |
| Units by Type | 150 | 125 | 150 | 50 | 25 | 500 |

Servicing Costs

| | Dollars |
|---|-----------|
| Metres of Arterial Road Frontage | 400 |
| Cost of Site Servicing per Metre of Arterial Road | 3,800 |
| Site Servicing | 1,520,000 |

| | One-Bedroom | One-Bedroom + Den | Two-Bedroom | Two-Bedroom + Den | 3-Bedroom | Weighted Average |
|---|-------------------------|-------------------|-------------|-------------------|-----------|------------------|
| Condominium Apartment Unit Pricing by Municipality | | | | | | |
| | <i>Dollars per Unit</i> | | | | | |
| Oakville | 279,000 | 314,000 | 422,000 | 597,000 | 646,000 | 380,800 |
| Brampton | 207,000 | 252,000 | 314,000 | 410,000 | 583,333 | 289,500 |
| Markham | 269,000 | 322,000 | 415,000 | 543,000 | 577,000 | 368,900 |
| Bradford West Gwillimbury | 176,000 | 221,000 | 281,000 | 319,000 | 527,000 | 250,600 |
| Ajax | 176,000 | 221,000 | 281,000 | 319,000 | 527,000 | 250,600 |
| Toronto | 300,000 | 361,000 | 451,000 | 600,000 | 626,000 | 406,900 |

Source: Altus Group Economic Consulting based on Realnet Canada, Altus Group Cost Guide 2012

Development Charge Rates and Revenues, Selected GTA Municipalities, Low-Rise Development

| | Oakville | Brampton | Markham | Bradford West Gwillimbury | Ajax | Toronto |
|-----------------------------|-------------------------|-------------------|--------------------|---------------------------------|-------------------|------------------|
| DC Rates | | | | | | |
| | <i>Dollars per Unit</i> | | | | | |
| Lower-Tier (Town/City-Wide) | 18,957 | 25,351 | 19,626 | 29,024 | 12,029 | 19,412 |
| Lower-Tier (Area-Specific) | n.a. | n.a. | 3,500 ¹ | n.a. | n.a. | n.a. |
| Upper-Tier | 35,275 | 35,532 | 40,107 | 6,172 | 20,940 | n.a. |
| GO Transit | 1,032 | 476 | 314 | n.a. | 647 | n.a. |
| Education | 3,665 | 2,146 | 2,020 | 1,088 | 1,964 | 544 |
| DC Revenues | | | | | | |
| | <i>Dollars</i> | | | | | |
| Lower-Tier (Town/City-Wide) | 9,478,500 | 12,675,375 | 9,813,000 | 14,512,000 | 6,014,500 | 9,706,000 |
| Lower-Tier (Area-Specific) | n.a. | n.a. | 161,875 | n.a. | n.a. | n.a. |
| Upper-Tier | 17,637,490 | 17,765,970 | 20,053,500 | 3,086,000 | 10,470,000 | n.a. |
| GO Transit | 516,000 | 238,195 | 157,000 | n.a. | 323,500 | n.a. |
| Education | 1,832,500 | 1,073,000 | 1,010,000 | 544,000 | 982,000 | 272,000 |
| Total DC Revenues | 29,464,490 | 31,752,540 | 31,195,375 | 18,142,000 | 17,790,000 | 9,978,000 |
| | <i>Dollars per Unit</i> | | | | | |
| Average DC Revenue per Unit | 58,929 | 63,505 | 62,391 | 36,284 | 35,580 | 19,956 |

¹ Area-specific DC rates are per hectare

Source: Altus Group Economic Consulting based on various DC By-laws and Pamphlets

Development Charge Rates and Revenues, Selected GTA Municipalities, High-Rise Development

| | Oakville | Brampton | Markham | Bradford West Gwillimbury | Ajax | Toronto |
|-------------------------------|-------------------|-------------------|--------------------|---------------------------------|------------------|------------------|
| DC Rates | | | | <i>Dollars per Unit</i> | | |
| Lower-Tier - Large Apartments | 12,019 | 17,134 | 12,138 | 16,325 | 6,628 | 12,412 |
| Lower-Tier - Small Apartments | 6,934 | 9,505 | 7,292 | 11,664 | 4,365 | 8,356 |
| Lower-Tier (Area-Specific) | n.a. | n.a. | 3,500 ¹ | n.a. | n.a. | n.a. |
| Upper-Tier - Large Apartments | 13,146 | 25,380 | 24,863 | 4,278 | 11,766 | n.a. |
| Upper-Tier - Small Apartments | n.a. | 13,198 | 16,884 | n.a. | 7,407 | n.a. |
| GO Transit | 539 | 340 | 182 | n.a. | 406 | n.a. |
| Education | 3,665 | 2,146 | 2,020 | 1,088 | 1,964 | 544 |
| DC Revenues | | | | <i>Dollars</i> | | |
| Lower-Tier (Town/City-Wide) | 4,611,125 | 6,468,896 | 4,978,650 | 7,113,775 | 2,804,825 | 5,293,400 |
| Lower-Tier (Area-Specific) | n.a. | n.a. | 14,000 | n.a. | n.a. | n.a. |
| Upper-Tier | 6,573,180 | 9,339,825 | 10,636,225 | 2,139,000 | 4,902,225 | n.a. |
| GO Transit | 269,680 | 125,059 | 75,700 | n.a. | 165,875 | n.a. |
| Education | 1,832,500 | 1,073,000 | 1,010,000 | 544,000 | 982,000 | 272,000 |
| Total DC Revenues | 13,286,485 | 17,006,781 | 16,714,575 | 9,796,775 | 8,854,925 | 5,565,400 |
| | | | | <i>Dollars per Unit</i> | | |
| Average DC Revenue per Unit | 26,573 | 34,014 | 33,429 | 19,594 | 17,710 | 11,131 |

¹ Area-specific DC rates are per hectare

Source: Altus Group Economic Consulting based on various DC By-laws and Pamphlets

Municipal Approval & Permit Fees, Low-Rise Development

| | Planning Review Fees | Building Permits | Engineering Supervision & Inspection |
|----------------------------------|-------------------------|---------------------|--|
| Oakville | | <i>Dollars</i> | |
| Town of Oakville | 854,796 | 1,347,094 | 516,069 |
| Region of Halton | 28,321 | - | 143,859 |
| Other | 77,980 | - | 18,702 |
| Total | 961,097 | 1,347,094 | 678,630 |
| Brampton | | | |
| City of Brampton | 975,724 | 1,196,591 | 428,170 |
| Region of Peel | 31,500 | - | 683,295 |
| Other | 126,710 | 3,000 | - |
| Total | 1,133,934 | 1,199,591 | 1,111,465 |
| Markham | | | |
| City of Markham | 580,130 | 1,146,423 | 1,207,868 |
| Region of York | 42,000 | - | 575,825 |
| Other | 72,760 | - | - |
| Total | 694,890 | 1,146,423 | 1,783,693 |
| Bradford West Gwillimbury | | | |
| Town of BWG | 68,000 | 1,373,500 | 152,813 |
| Simcoe County | 12,700 | - | 11,600 |
| Other | 145,450 | - | - |
| Total | 226,150 | 1,373,500 | 164,413 |
| Ajax | | | |
| Town of Ajax | 201,720 | 903,307 | 684,697 |
| Region of Durham | 23,500 | - | 109,669 |
| Other | 41,948 | - | - |
| Total | 267,168 | 903,307 | 794,366 |
| Toronto | | | |
| City of Toronto | 487,783 | 1,568,005 | 826,782 |
| Other | 72,760 | - | - |
| Total | 560,543 | 1,568,005 | 826,782 |

Source: Altus Group Economic Consulting

Municipal Approval & Permit Fees, High-Rise Development

| | Planning Review Fees | Building Permits | Engineering Supervision & Inspection |
|----------------------------------|-------------------------|---------------------|--|
| <u>Oakville</u> | | <i>Dollars</i> | |
| Town of Oakville | 1,166,689 | 796,806 | 108,163 |
| Region of Halton | 21,493 | - | 47,500 |
| Other | <u>77,980</u> | <u>-</u> | <u>6,175</u> |
| Total | 1,266,162 | 796,806 | 161,838 |
| <u>Brampton</u> | | | |
| City of Brampton | 290,424 | 586,341 | 69,285 |
| Region of Peel | 21,500 | - | 329,679 |
| Other | <u>35,065</u> | <u>3,000</u> | <u>-</u> |
| Total | 346,989 | 589,341 | 398,964 |
| <u>Markham</u> | | | |
| City of Markham | 109,450 | 491,942 | 253,348 |
| Region of York | 42,000 | - | 136,800 |
| Other | <u>86,010</u> | <u>-</u> | <u>-</u> |
| Total | 237,460 | 491,942 | 390,148 |
| <u>Bradford West Gwillimbury</u> | | | |
| Town of BWG | 77,800 | 754,355 | 8,725 |
| Simcoe County | 12,700 | - | 16,600 |
| Other | <u>12,250</u> | <u>-</u> | <u>-</u> |
| Total | 102,750 | 754,355 | 25,325 |
| <u>Ajax</u> | | | |
| Town of Ajax | 202,840 | 464,531 | 318,594 |
| Region of Durham | 23,500 | - | 27,862 |
| Other | <u>22,390</u> | <u>-</u> | <u>-</u> |
| Total | 248,730 | 464,531 | 346,456 |
| <u>Toronto</u> | | | |
| City of Toronto | 176,717 | 784,797 | 141,596 |
| Other | <u>86,010</u> | <u>-</u> | <u>-</u> |
| Total | 262,727 | 784,797 | 141,596 |

Source: Altus Group Economic Consulting

Property Tax Rates and Revenues, Selected GTA Municipalities, Low-Rise Development

| | Oakville / Halton Region | Brampton / Peel Region | Markham / York Region | Bradford West Gwillimbury / Simcoe County | Ajax / Durham Region | City of Toronto |
|---|--------------------------------|---------------------------|--------------------------|---|----------------------------|--------------------|
| | <i>Gross Hectares</i> | | | | | |
| Hectares | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 | 46.3 |
| | <i>Dollars per Hectare</i> | | | | | |
| Raw Vacant Land - Value | 187,742 | 205,396 | 316,702 | 436,866 | 140,363 | 529,646 |
| | <i>Percent</i> | | | | | |
| Property Tax Rate | 0.198713% | 0.290437% | 0.226370% | 0.282560% | 0.279638% | 0.192800% |
| | <i>Years</i> | | | | | |
| Years of Raw Unserved Land | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| | <i>Dollars</i> | | | | | |
| Total Property Taxes Payable - Raw Land | 43,136 | 68,976 | 82,894 | 142,729 | 45,384 | 118,071 |
| | <i>Dollars per Hectare</i> | | | | | |
| Vacant Residential Land - Value | 991,163 | 782,955 | 736,273 | 873,732 | 542,255 | 1480306.428 |
| | <i>Percent</i> | | | | | |
| Property Tax Rate | 0.938318% | 1.161747% | 0.905489% | 1.130235% | 1.342943% | 0.771198% |
| | <i>Years</i> | | | | | |
| Years of Served Land Before Development | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| | <i>Dollars</i> | | | | | |
| Total Property Taxes Payable - Vacant Res. Land | 1,075,342 | 1,051,720 | 770,857 | 1,141,824 | 842,002 | 1,319,986 |
| Total Property Taxes | 1,118,478 | 1,120,696 | 853,750 | 1,284,552 | 887,386 | 1,438,057 |
| Lower/Single-Tier Municipality Share | 412,208 | 464,591 | 218,367 | 740,848 | 253,390 | 1,025,957 |
| Upper-Tier Municipality Share | 441,004 | 442,914 | 427,011 | 292,529 | 486,465 | n.a. |
| Education Share | 265,267 | 213,191 | 208,373 | 251,174 | 147,530 | 412,100 |

Note: We have used farmland tax rates for first half of five year period, and residential tax rates for second half of five year period. Not all municipalities have "farmland awaiting development" tax rates, so we have used residential tax rates to keep the assumptions consistent for each municipality

Source: Altus Group Economic Consulting based on City, Town, County and/or Region tax rates for 2012, Realnet Canada

Property Tax Rates and Revenues, Selected GTA Municipalities, High-Rise Development

| | Oakville / Halton Region | Brampton / Peel Region | Markham / York Region | Bradford West Gwillimbury / Simcoe County | Ajax / Durham Region | City of Toronto |
|---|--------------------------------|---------------------------|--------------------------|---|----------------------------|--------------------|
| | <i>Gross Hectares</i> | | | | | |
| Hectares | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| | <i>Dollars per Hectare</i> | | | | | |
| Raw Vacant Land - Value | 991,163 | 782,955 | 736,273 | 1,043,228 | 542,255 | 1,480,306 |
| | <i>Percent</i> | | | | | |
| Property Tax Rate | 0.938318% | 1.161747% | 0.905489% | 1.130235% | 1.342943% | 0.771198% |
| | <i>Years</i> | | | | | |
| Years of Raw Unserved Land | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| | <i>Dollars</i> | | | | | |
| Total Property Taxes Payable - Raw Land | 93,003 | 90,960 | 66,669 | 117,909 | 72,822 | 114,161 |
| | <i>Dollars per Hectare</i> | | | | | |
| Vacant Residential Land - Value | 4,310,092 | 2,865,520 | 3,116,319 | 2,086,456 | 2,563,036 | 10,172,444 |
| | <i>Percent</i> | | | | | |
| Property Tax Rate | 0.938318% | 1.161747% | 0.905489% | 1.130235% | 1.342943% | 0.771198% |
| | <i>Years</i> | | | | | |
| Years of Served Land Before Development | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 | 2.5 |
| | <i>Dollars</i> | | | | | |
| Total Property Taxes Payable - Vacant Res. Land | 404,424 | 332,901 | 282,179 | 235,819 | 344,201 | 784,497 |
| Total Property Taxes | 497,426 | 423,860 | 348,848 | 353,728 | 417,023 | 898,658 |
| Lower/Single-Tier Municipality Share | 183,717 | 175,714 | 89,226 | 204,008 | 119,321 | 641,132 |
| Upper-Tier Municipality Share | 196,551 | 167,515 | 174,480 | 80,554 | 229,075 | n.a. |
| Education Share | 117,158 | 80,631 | 85,142 | 69,166 | 68,627 | 257,526 |

Note: Assumes use of residential tax rate for first half of five year period, and multi-residential tax rate for second half of five year period

Source: Altus Group Economic Consulting based on City, Town, County and/or Region tax rates for 2012, Realnet Canada

Parkland Dedication Rates and Revenues, Tarion Enrolment Fees, CMHC Mortgage Insurance Premiums and Hydro Costs, Selected GTA Municipalities, Low-Rise Development

| | Oakville | Brampton | Markham | Bradford West Gwillimbury | Ajax | City of Toronto ² |
|--|-------------------------------|------------------|----------------------------|---------------------------------|-------------------------------|---------------------------------|
| Parkland Dedication / Cash-in-Lieu | | | | | | |
| | | | <i>Hectares</i> | | | |
| 5% of Land; or | 2.31 | 2.31 | 2.31 | 2.31 | 2.31 | 2.31 |
| 1 hectare per 300 units (except Toronto - 0.4ha/300) | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 0.67 |
| Greater Amount | 2.31 | 2.31 | 2.31 | 2.31 | 2.31 | 2.31 |
| | | | <i>Dollars per Hectare</i> | | | |
| Value per Hectare | 991,163 | 1,359,031 | 736,273 | 873,732 | 542,255 | 1,480,306 |
| | | | <i>Dollars</i> | | | |
| Total Value of Parkland Dedication | 2,292,064 | 3,142,760 | 1,702,631 | 2,020,506 | 1,253,965 | 3,423,209 |
| Tarion | | | | | | |
| | | | <i>Dollars per Unit</i> | | | |
| Average Sales Price of New Homes | 590,000 | 490,000 | 600,000 | 410,000 | 460,000 | 540,000 |
| Tarion Enrolment Fee - Per Unit | 1,187 | 1,040 | 1,187 | 961 | 1,040 | 1,130 |
| | | | <i>Dollars</i> | | | |
| Tarion Enrolment Fee Revenues | 593,250 | 519,800 | 593,250 | 480,250 | 519,800 | 565,000 |
| CMHC Mortgage Insurance | | | | | | |
| | | | <i>Dollars per Unit</i> | | | |
| Average Sales Price of New Homes | 590,000 | 490,000 | 600,000 | 410,000 | 460,000 | 540,000 |
| | | | <i>Percent</i> | | | |
| Loan Value (10% downpayment) | 90% | 90% | 90% | 90% | 90% | 85% |
| CMHC Mortgage Insurance Premium | 2% | 2% | 2% | 2% | 2% | 2% |
| | | | <i>Dollars per Unit</i> | | | |
| Mortgage Value | 531,000 | 441,000 | 540,000 | 369,000 | 414,000 | 459,000 |
| CMHC Mortgage Insurance Premium - Per Unit | 9,293 | 7,718 | 9,450 | 6,458 | 7,245 | 8,033 |
| | | | <i>Dollars</i> | | | |
| Total CMHC Mortgage Insurance Premiums | 4,646,250 | 3,858,750 | 4,725,000 | 3,228,750 | 3,622,500 | 4,016,250 |
| Hydro Costs | 1,024,500 ¹ | 1,500,000 | 950,000 | 950,000 | 1,024,500 ¹ | 698,000 |

¹ Information not available for Ajax or Oakville. Instead, average of other four municipalities used as proxy.

² City of Toronto parkland fees capped at 20% of value of site, but payments must be a minimum of 5% of value of site using the 0.4 hectares / 300 unit rate

Source: Altus Group Economic Consulting based on CMHC, Tarion and various Official Plan policies

Parkland Dedication Rates and Revenues, Tarion Enrolment Fees, CMHC Mortgage Insurance Premiums and Hydro Costs, Selected GTA Municipalities, High-Rise Development

| | Oakville | Brampton | Markham | Bradford West Gwillimbury | Ajax | City of Toronto ³ |
|---|---------------------------|---------------------------|----------------------------|---------------------------------|---------------------------|---------------------------------|
| Parkland Dedication / Cash-in-Lieu | | | | | | |
| | | | <i>Hectares</i> | | | |
| 5% of Land; or | 0.20 | 0.20 | 0.20 | 0.20 | 0.20 | |
| 1 hectare per 300 units (except Toronto - 0.4 ha/300) | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 0.67 |
| Greater Amount | 1.67 | 1.67 | 1.67 | 1.67 | 1.67 | 0.67 |
| | | | <i>Dollars per Hectare</i> | | | |
| Value per Hectare | 4,310,092 | 1,556,709 ¹ | 3,116,319 | 2,086,456 | 2,563,036 | 10,172,444 |
| | | | <i>Dollars</i> | | | |
| Total Value of Parkland Dedication | 7,183,486 | 2,594,514 | 5,193,864 | 3,477,427 | 4,271,727 | 6,103,467 |
| Tarion | | | | | | |
| | | | <i>Dollars per Unit</i> | | | |
| Average Sales Price of New Homes | 380,800 | 289,500 | 368,900 | 250,600 | 250,600 | 406,900 |
| Tarion Enrolment Fee - Per Unit | 881 | 723 | 881 | 723 | 723 | 961 |
| | | | <i>Dollars</i> | | | |
| Tarion Enrolment Fee Revenues | 440,700 | 361,600 | 440,700 | 361,600 | 361,600 | 480,250 |
| CMHC Mortgage Insurance | | | | | | |
| | | | <i>Dollars per Unit</i> | | | |
| Average Sales Price of New Homes | 380,800 | 289,500 | 368,900 | 250,600 | 250,600 | 406,900 |
| | | | <i>Percent</i> | | | |
| Loan Value (10% downpayment) | 90% | 90% | 90% | 90% | 90% | 85% |
| CMHC Mortgage Insurance Premium | 2% | 2% | 2% | 2% | 2% | 2% |
| | | | <i>Dollars per Unit</i> | | | |
| Mortgage Value | 342,720 | 260,550 | 332,010 | 225,540 | 225,540 | 345,865 |
| CMHC Mortgage Insurance Premium - Per Unit | 5,998 | 4,560 | 5,810 | 3,947 | 3,947 | 6,053 |
| | | | <i>Dollars</i> | | | |
| Total CMHC Mortgage Insurance Premiums | 2,998,800 | 2,279,813 | 2,905,088 | 1,973,475 | 1,973,475 | 3,026,319 |
| Hydro Costs | 70,833² | 70,833² | 70,000 | 70,000 | 70,833² | 72,500 |

¹ The City of Brampton prescribes land value for parkland dedication of \$630,000 per acre, which is reduced by 60% from \$1,575,000 per acre

² Information not available for Oakville, Brampton or Ajax. Instead, average of other three municipalities used as proxy

³ Value of land provided through City of Toronto parkland dedication rate of 0.4 hectares / 300 units not to exceed 15% of value of site

Source: Altus Group Economic Consulting based on CMHC, Tarion and various Official Plan policies

Calculation of Harmonized Sales Tax Payable on New Homes, Selected GTA Municipalities, Low-Rise Development

| | Oakville | | Brampton | | Markham | | Bradford West Gwillimbury | | Ajax | | Toronto | |
|---------------------------------------|-------------------------|-------------------|------------------|-------------------|-------------------|-------------------|---------------------------|------------------|------------------|-------------------|------------------|-------------------|
| | Provincial | Federal | Provincial | Federal | Provincial | Federal | Provincial | Federal | Provincial | Federal | Provincial | Federal |
| Harmonized Sales Tax | <i>Dollars per Unit</i> | | | | | | | | | | | |
| Average Sales Price - Single-Detached | 590,000 | 590,000 | 490,000 | 490,000 | 600,000 | 600,000 | 410,000 | 410,000 | 460,000 | 460,000 | 540,000 | 540,000 |
| Value of Consideration | 553,153 | 553,153 | 463,063 | 463,063 | 562,162 | 562,162 | 393,845 | 393,845 | 436,786 | 436,786 | 508,108 | 508,108 |
| | <i>Percent</i> | | | | | | | | | | | |
| Share of HST Rate | 8% | 5% | 8% | 5% | 8% | 5% | 8% | 5% | 8% | 5% | 8% | 5% |
| | <i>Dollars per Unit</i> | | | | | | | | | | | |
| Share of HST Payable | 47,200 | 27,658 | 39,200 | 23,153 | 48,000 | 28,108 | 31,508 | 19,692 | 36,800 | 21,839 | 43,200 | 25,405 |
| Rebate | 24,000 | - | 24,000 | - | 24,000 | - | 23,631 | 3,538 | 24,000 | 832 | 24,000 | - |
| Remaining Payable per Unit | 23,200 | 27,658 | 15,200 | 23,153 | 24,000 | 28,108 | 7,877 | 16,155 | 12,800 | 21,007 | 19,200 | 25,405 |
| | <i>Dollars</i> | | | | | | | | | | | |
| Total HST Revenues | 11,600,000 | 13,828,829 | 7,600,000 | 11,576,577 | 12,000,000 | 14,054,054 | 3,938,455 | 8,077,269 | 6,400,000 | 10,503,410 | 9,600,000 | 12,702,703 |

Source: Altus Group Economic Consulting based on Canada Revenue Agency, GST/HST Info Sheet, (July 2010)

Calculation of Harmonized Sales Tax Payable on New Homes, Selected GTA Municipalities, High-Rise Development

| | Oakville | | Brampton | | Markham | | Bradford West Gwillimbury | | Ajax | | Toronto | |
|-----------------------------------|-------------------------|------------------|------------------|------------------|------------------|------------------|---------------------------|------------------|------------------|------------------|------------------|------------------|
| | Provincial | Federal | Provincial | Federal | Provincial | Federal | Provincial | Federal | Provincial | Federal | Provincial | Federal |
| Harmonized Sales Tax | <i>Dollars per Unit</i> | | | | | | | | | | | |
| Average Sales Price of Condo Apts | 380,800 | 380,800 | 289,500 | 289,500 | 368,900 | 368,900 | 250,600 | 250,600 | 250,600 | 250,600 | 406,900 | 406,900 |
| Value of Consideration | 367,610 | 367,610 | 280,523 | 280,523 | 356,918 | 356,918 | 242,829 | 242,829 | 242,829 | 242,829 | 391,060 | 391,060 |
| | <i>Percent</i> | | | | | | | | | | | |
| Share of HST Rate | 8% | 5% | 8% | 5% | 8% | 5% | 8% | 5% | 8% | 5% | 8% | 5% |
| | <i>Dollars per Unit</i> | | | | | | | | | | | |
| Share of HST Payable | 30,464 | 18,381 | 23,160 | 14,026 | 29,512 | 17,846 | 19,426 | 12,141 | 20,048 | 12,141 | 32,552 | 19,553 |
| Rebate | 22,848 | 5,191 | 17,370 | 5,049 | 22,134 | 5,864 | 14,570 | 4,371 | 15,036 | 4,371 | 24,000 | 3,713 |
| Remaining Payable per Unit | 7,616 | 13,190 | 5,790 | 8,977 | 7,378 | 11,982 | 4,857 | 7,771 | 5,012 | 7,771 | 8,552 | 15,840 |
| | <i>Dollars</i> | | | | | | | | | | | |
| Total HST Revenues | 3,808,000 | 6,594,969 | 2,895,000 | 4,488,372 | 3,689,000 | 5,990,881 | 2,428,295 | 3,885,271 | 2,506,000 | 3,885,271 | 4,276,000 | 7,919,901 |

Source: Altus Group Economic Consulting based on Canada Revenue Agency, GST/HST Info Sheet, (July 2010)

Land Transfer Tax Revenues, Selected GTA Municipalities, Low-Rise Development

| | Oakville | Brampton | Markham | Bradford West Gwillimbury | Ajax | Toronto | |
|---|------------------|------------------|------------------|---------------------------------|------------------|------------------|------------------|
| | | | | | | City | Provincial |
| Land Transfer Tax | | | | | | | |
| | | | | <i>Dollars</i> | | | |
| 0.5% of value up to \$55,000 | 275 | 275 | 275 | 275 | 275 | 275 | 275 |
| 1% of value between \$55,000 and \$250,000 | 1,950 | 1,950 | 1,950 | 1,950 | 1,950 | n.a. | 1,950 |
| 1.5% of value between \$250,000 and \$400,000 | 2,250 | 2,250 | 2,250 | 2,158 | 2,250 | n.a. | 2,250 |
| 1% of value between \$55,000 and \$400,000 | | | | | | 3,450 | n.a. |
| 2% amounts exceeding \$400,000 | 3,063 | 1,261 | 3,243 | - | 1,200 | 2,162 | 2,162 |
| Total Payable per Unit - Before Rebates | 7,538 | 5,736 | 7,718 | 4,383 | 5,675 | 5,887 | 6,637 |
| | | | | <i>Units</i> | | | |
| Units Not Occupied by First-Time Buyers | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| | | | | <i>Dollars</i> | | | |
| Revenue from Non-First Time Buyers | 2,261,419 | 1,720,878 | 2,315,473 | 1,314,805 | 1,702,500 | 1,766,149 | 1,991,149 |
| | | | | <i>Units</i> | | | |
| Units Occupied by First-Time Buyers | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| | | | | <i>Dollars</i> | | | |
| Total Revenue Before Rebate | 1,507,613 | 1,147,252 | 1,543,649 | 876,536 | 1,135,000 | 1,177,432 | 1,327,432 |
| Rebate | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 3,725 | 2,000 |
| Total Rebates | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 | 745,000 | 400,000 |
| Revenue from First-Time Buyers | 1,107,613 | 747,252 | 1,143,649 | 476,536 | 735,000 | 432,432 | 927,432 |
| Total Land Transfer Tax Revenues | 3,369,032 | 2,468,131 | 3,459,122 | 1,791,341 | 2,437,500 | 2,198,581 | 2,918,581 |

Source: Altus Group Economic Consulting based on CMHC, Tarion and various Official Plan policies

Land Transfer Tax Revenues, Selected GTA Municipalities, High-Rise Development

| | Oakville | Brampton | Markham | Bradford West | Ajax | Toronto | |
|---|------------------|----------------|------------------|------------------|----------------|------------------|------------------|
| | | | | Gwillimbury | | City | Provincial |
| Land Transfer Tax | | | | | | | |
| | | | | <i>Dollars</i> | | | |
| 0.5% of value up to \$55,000 | 275 | 275 | 275 | 275 | 275 | 275 | 275 |
| 1% of value between \$55,000 and \$250,000 | 1,950 | 1,950 | 1,950 | 1,950 | 1,950 | n.a. | 1,950 |
| 1.5% of value between \$250,000 and \$400,000 | 1,764 | 458 | 1,604 | (108) | (108) | n.a. | 2,116 |
| 1% of value between \$55,000 and \$400,000 | | | | | | 3,361 | n.a. |
| 2% amounts exceeding \$400,000 | - | - | - | - | - | - | - |
| Total Payable per Unit - Before Rebates | 3,989 | 2,683 | 3,829 | 2,117 | 2,117 | 3,636 | 4,341 |
| | | | | <i>Units</i> | | | |
| Units Not Occupied by First-Time Buyers | 300 | 300 | 300 | 300 | 300 | 300 | 300 |
| | | | | <i>Dollars</i> | | | |
| Revenue from Non-First Time Buyers | 1,196,745 | 804,855 | 1,148,632 | 635,233 | 635,233 | 1,090,681 | 1,302,271 |
| | | | | <i>Units</i> | | | |
| Units Occupied by First-Time Buyers | 200 | 200 | 200 | 200 | 200 | 200 | 200 |
| | | | | <i>Dollars</i> | | | |
| Total Revenue Before Rebate | 797,830 | 536,570 | 765,755 | 423,488 | 423,488 | 727,120 | 868,181 |
| Rebate | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 3,636 | 2,000 |
| Total Rebates | 400,000 | 400,000 | 400,000 | 400,000 | 400,000 | 745,000 | 400,000 |
| Revenue from First-Time Buyers | 397,830 | 136,570 | 365,755 | 23,488 | 23,488 | - | 468,181 |
| Total Land Transfer Tax Revenues | 1,594,575 | 941,424 | 1,514,387 | 658,721 | 658,721 | 1,090,681 | 1,770,451 |

Source: Altus Group Economic Consulting based on CMHC, Tarion and various Official Plan policies

Government-imposed Charges on New Housing in Canada (2009)

INTRODUCTION

This study examined government-imposed charges (GICs) on new housing in Canada. Such charges include levies, fees, charges and taxes that are imposed by all levels of government as they relate to the development and sale of new housing. GICs may affect the price of housing, the price of land and the return on capital investments in general in Canada, and are therefore of interest to the housing industry and Canadian consumers. The results provide information, which is meant to allow for a more accurate understanding of the cumulative impact of GICs on housing costs and affordability.

The objectives of this study were to:

- update the estimates of GICs from three previous studies prepared for CMHC (1996, 2002, 2006); and
- report on trends in GICs since the most recent previous study conducted in 2006.

The first study, conducted for CMHC in 1996, entitled *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing*, looked at government-imposed charges on single detached and row housing in 26 municipalities and compared these costs to the sale price for each housing type.¹ The 2002 update study, *Levies, Fees, Charges and Taxes on New Housing: 2002*, expanded the sample size to 30 municipalities and covered a broader range of housing

types by including condominiums and rental apartments.² The 2006 study expanded the coverage to 32 municipalities. The range of GICs covered in 2006 was similar to those covered in the 2002 study.

SCOPE

The latest study presents estimates of GICs in 2009 and covers 21 municipalities; all of these were also included in the 2006 study. The range of GICs covered is similar to those covered in the 2006 study. Table 1 presents the municipalities along with the types of dwellings that were included in the study, Table 2 summarizes the categories of GICs and the components which were included in the estimates.

FINDINGS

Detailed estimates of the GICs paid on new housing in 2009 are provided for single detached, semi-detached, row/townhouse and condominium apartment units. Semi-detached, row/townhouse and condominium apartment units are included in the analysis only in those municipalities where supply of these dwelling types was substantial in 2008. Property taxes, an annual charge paid by *all* property owners (not restricted to new home purchasers) to local authorities based primarily on the market value of the property, are estimated separately because they are a significant contributor to the overall cost of housing.

¹ Greg Lampert and Marc Denhez. 1997. *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing*. Prepared for CMHC and the Canadian HomeBuilders' Association.

² Greg Lampert. 2003. *Levies, Fees, Charges and Taxes on New Housing: 2002*. Prepared for CMHC.

Research Highlight

Government-imposed Charges on New Housing in Canada

Table 1 Centres and Dwelling Types Included

| Municipality | Single Detached | Semi-Detached | Row/Townhouse | Condominium Apartment |
|---------------------|-----------------|---------------|---------------|-----------------------|
| Burnaby, BC | # | # | # | # |
| Prince George, BC | # | Not reviewed | Not reviewed | Not reviewed |
| Surrey, BC | # | Not reviewed | Not reviewed | Not reviewed |
| Vancouver, BC | # | # | # | # |
| Calgary, AB | # | # | # | # |
| Edmonton, AB | # | # | # | # |
| Saskatoon, SK | # | # | # | # |
| Winnipeg, MB | # | Not reviewed | # | # |
| Greater Sudbury, ON | # | Not reviewed | Not reviewed | Not reviewed |
| Hamilton, ON | # | Not reviewed | # | Not reviewed |
| Ottawa, ON | # | # | # | # |
| Toronto, ON | # | # | # | # |
| Vaughan, ON | # | Not reviewed | Not reviewed | Not reviewed |
| Waterloo, ON | # | Not reviewed | # | Not reviewed |
| Windsor, ON | # | Not reviewed | Not reviewed | Not reviewed |
| Montreal, QC | # | # | # | # |
| Quebec City, QC | # | # | # | # |
| Charlottetown, PE | # | Not reviewed | Not reviewed | Not reviewed |
| Halifax, NS | # | # | # | # |
| Whitehorse, YT | # | Not reviewed | Not reviewed | Not reviewed |
| Yellowknife, NT | # | Not reviewed | Not reviewed | Not reviewed |

In the 2009 study, the GICs were estimated for a “modest” (25th percentile) and a “median” (50th percentile) priced dwelling of each type in each municipality included in the study. The source of the price data were new home sales reported in 2009 via the CMHC Market Absorption Survey.

Table 2 GICs and Their Components

| GIC | Source | Description |
|-----------------------------|---|---|
| Infrastructure Charges | Municipal/Regional Government, Builders or Developers | <ul style="list-style-type: none"> ■ Hard (sewer, water, road) ■ Soft (parks, libraries, police, etc.) ■ Off-site infrastructure (either through agreements with municipality that require the payment of a share of costs or development charges) ■ Water & sewer connection fees ■ Engineering review fees ■ Public transport and/or environmental related fees/contributions |
| Land Dedications | Municipal/Regional Government, Builders or Developers | Land dedications and cash in lieu associated with park land. |
| Application Fees | Municipal/Regional Government | Subdivision application fees, condominium application fees, site plan approval, administration fees. |
| Permit Fees | Municipal/Regional Government | Building permit, plumbing, and mechanical or electrical permit fees. Boiler and elevator inspections fee for large buildings. |
| Home Warranty Fees | New Home Warranty Providers | New home warranty programs (both required and optional). |
| Land Transfer Taxes | Provincial & Territorial Government | |
| Title Registration Fees | Municipal, Provincial & Territorial Government | |
| Provincial Sales Taxes | Provincial Government | Provincial sales tax, harmonized sales tax on construction materials, on home sale. |
| GST | Federal Government | GST on house sale. |
| Property Taxes | Municipal/Regional Government | Property taxes, garbage collection surcharges, police surcharges, fire surcharge, education surcharges, etc. |
| Provincial Other | Provincial Government | Provincial plumbing and electrical inspection fees, provincial engineering review fees, home warranty licensing fees. |
| Municipal Incentives (new) | Municipal Government | Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the municipal/regional government. |
| Provincial Incentives (new) | Provincial & Territorial Government | Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the provincial / territorial government. |
| Federal Incentives (new) | Federal Government | Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the federal government. |

Figure E1 from the final report (shown below) shows the estimated GICs for a modest priced, single detached unit in each of the study municipalities in 2009, both as a

percentage of the selling price and as the total dollar amount charged, at the municipal, provincial and federal levels.

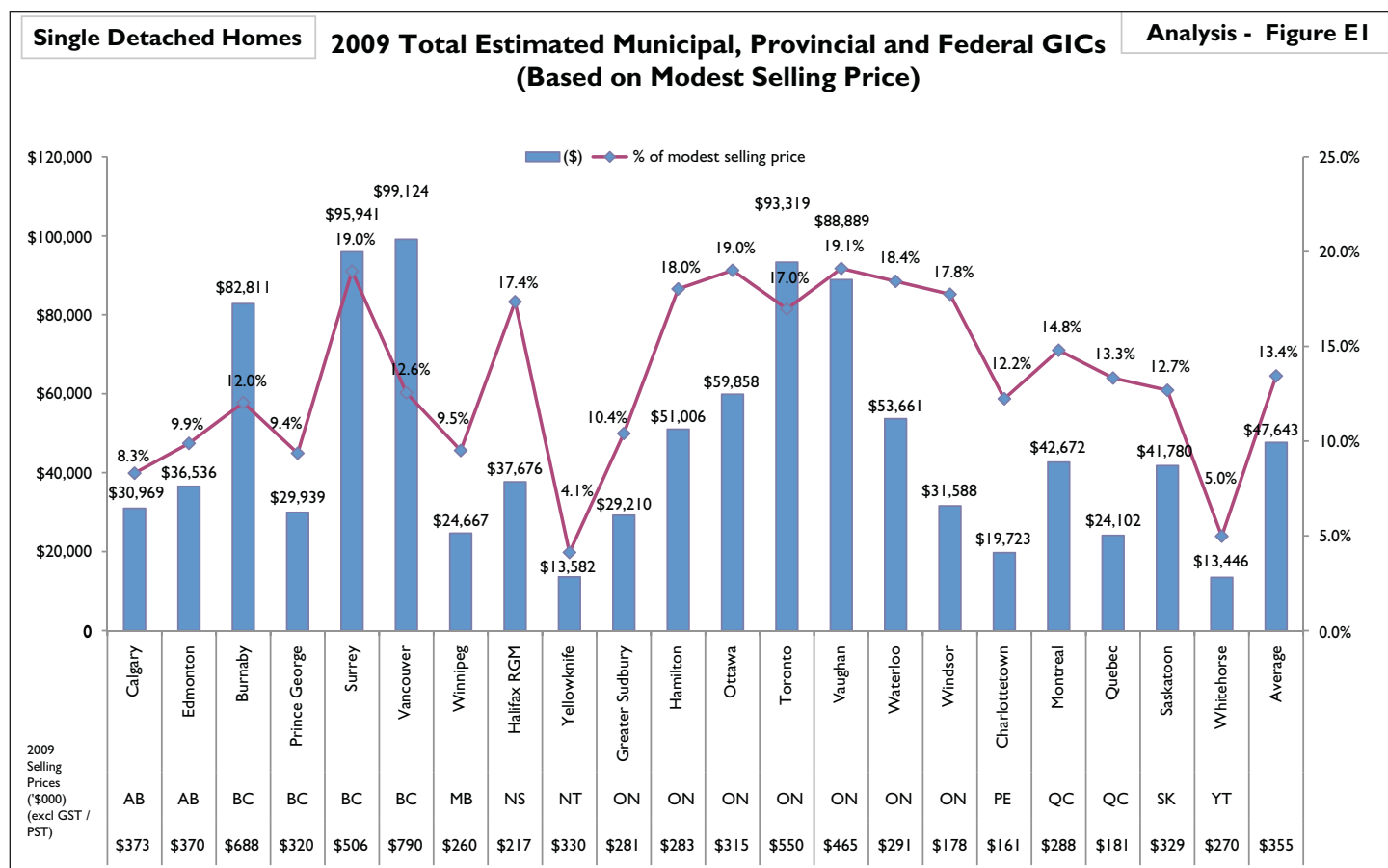


Figure E1 Total GICs – Single Detached Dwelling – Modest Selling Price

The estimates of GICs paid on a new single detached dwelling totaled on average \$47,643 and made up 13.4 per cent of the modest selling price. In absolute figures, Vancouver had the highest level of overall GICs (\$99,124), followed closely by Surrey, (\$95,941) and Toronto (\$93,319). At the other end of the scale, Whitehorse (\$13,446) had the lowest level of overall GICs, followed by Yellowknife (\$13,582) and Charlottetown (\$19,723). Total GICs on modest priced single family dwellings exceeded \$60,000 in five municipalities: Vancouver, Surrey, Toronto, Vaughan, and Burnaby. A second tier of 12 municipalities had GICs between \$25,000 and \$60,000. Five municipalities, Winnipeg, Quebec City, Charlottetown, Yellowknife and Whitehorse, had GICs of less than \$25,000.

In relative terms, GICs ranged from 19.1 per cent of the total modest selling price in Vaughan to 4.1 per cent in Yellowknife. In Vaughan (19.1%), Ottawa and Surrey (19%), Waterloo (18.4%), Hamilton (18%), Windsor (17.8%), Halifax (17.4%), and Toronto (17%), GICs represented 17% or more of the selling price of modest priced single detached new homes. GICs made up 10-15% of house prices in, Montreal (14.8%), Quebec City (13.3%), Saskatoon (12.7%), Vancouver (12.5%), Charlottetown (12.3%), Burnaby (12.0%) and Greater Sudbury (10.4%). The lowest percentages were in western cities with moderate housing prices or where no PST is applied, Edmonton (9.9%), Winnipeg (9.5%), Prince George (9.4%), Calgary (8.3%), Whitehorse (5.0%) and Yellowknife (4.1%).

Research Highlight

Government-imposed Charges on New Housing in Canada

Figure E2 from the final report (shown below) shows the estimated GICs for a median priced, single detached unit in each of the study municipalities in 2009, both as a

percentage of the selling price and as the total dollar amount charged, at the municipal, provincial and federal levels.

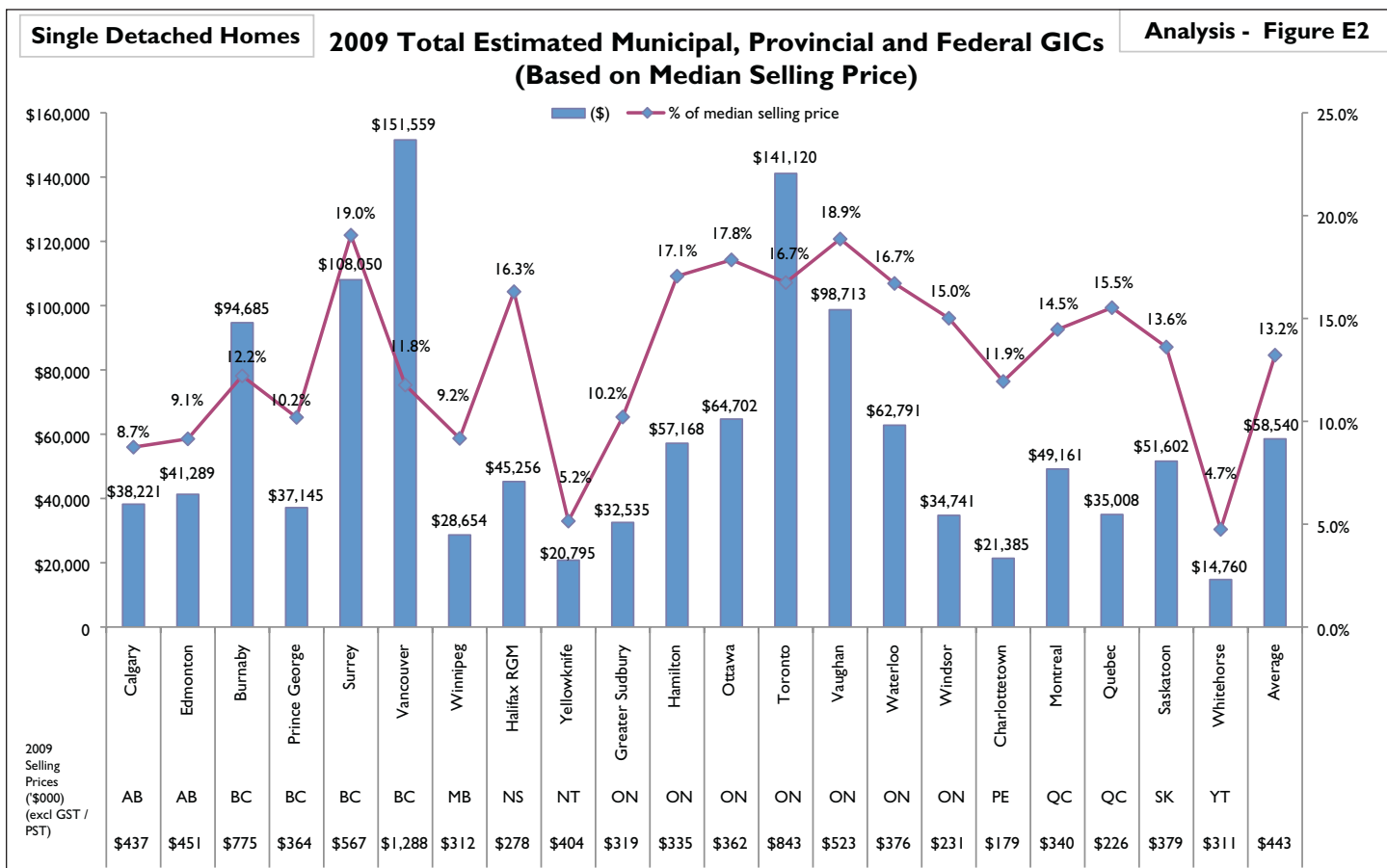


Figure E2 Total GICs – Single Detached Dwelling – Median Selling Price

Table 3 below shows how the municipalities rank, both in the absolute amount of GICs paid, as well as the amounts relative to the median selling price.

Table 3 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Median Selling Price

| 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Median Selling Price | | | | | | | |
|---|----------------------|------------|--------------------|-----------------------------------|----------------------|------------|--------------------|
| Decreasing relative value of GICs | | | | Decreasing absolute value of GICs | | | |
| Centre | Median selling price | Total GICs | % of selling price | Centre | Median selling price | Total GICs | % of selling price |
| Surrey, BC | \$567,207 | \$108,050 | 19.05% | Vancouver, BC | \$1,288,137 | \$151,559 | 11.77% |
| Vaughan, ON | \$523,295 | \$98,713 | 18.86% | Toronto, ON | \$842,743 | \$141,120 | 16.75% |
| Ottawa, ON | \$362,489 | \$64,702 | 17.85% | Surrey, BC | \$567,207 | \$108,050 | 19.05% |
| Hamilton, ON | \$335,141 | \$57,168 | 17.06% | Vaughan, ON | \$523,295 | \$98,713 | 18.86% |
| Toronto, ON | \$842,743 | \$141,120 | 16.75% | Burnaby, BC | \$775,481 | \$94,685 | 12.21% |
| Waterloo, ON | \$375,903 | \$62,791 | 16.70% | Ottawa, ON | \$362,489 | \$64,702 | 17.85% |
| Halifax RGM, NS | \$277,605 | \$45,256 | 16.30% | Waterloo, ON | \$375,903 | \$62,791 | 16.70% |
| Quebec, QC | \$225,508 | \$35,008 | 15.52% | Hamilton, ON | \$335,141 | \$57,168 | 17.06% |
| Windsor, ON | \$231,428 | \$34,741 | 15.01% | Saskatoon, SK | \$379,087 | \$51,602 | 13.61% |
| Montreal, QC | \$339,839 | \$49,161 | 14.47% | Montreal, QC | \$339,839 | \$49,161 | 14.47% |
| Saskatoon, SK | \$379,087 | \$51,602 | 13.61% | Halifax RGM, NS | \$277,605 | \$45,256 | 16.30% |
| Burnaby, BC | \$775,481 | \$94,685 | 12.21% | Edmonton, AB | \$451,333 | \$41,289 | 9.15% |
| Charlottetown, PE | \$179,118 | \$21,385 | 11.94% | Calgary, AB | \$437,039 | \$38,221 | 8.75% |
| Vancouver, BC | \$1,288,137 | \$151,559 | 11.77% | Prince George, BC | \$364,465 | \$37,145 | 10.19% |
| Greater Sudbury, ON | \$318,663 | \$32,535 | 10.21% | Quebec, QC | \$225,508 | \$35,008 | 15.52% |
| Prince George, BC | \$364,465 | \$37,145 | 10.19% | Windsor, ON | \$231,428 | \$34,741 | 15.01% |
| Winnipeg, MB | \$312,442 | \$28,654 | 9.17% | Greater Sudbury, ON | \$318,663 | \$32,535 | 10.21% |
| Edmonton, AB | \$451,333 | \$41,289 | 9.15% | Winnipeg, MB | \$312,442 | \$28,654 | 9.17% |
| Calgary, AB | \$437,039 | \$38,221 | 8.75% | Charlottetown, PE | \$179,118 | \$21,385 | 11.94% |
| Yellowknife, NT | \$403,721 | \$20,795 | 5.15% | Yellowknife, NT | \$403,721 | \$20,795 | 5.15% |
| Whitehorse, YT | \$310,833 | \$14,760 | 4.75% | Whitehorse, YT | \$310,833 | \$14,760 | 4.75% |

Research Highlight

Government-imposed Charges on New Housing in Canada

The composition of the GICs also varied across the country. Tables 4 and 5 present a detailed summary of the GICs charged for a typical new, median priced single detached dwelling in the 21 study municipalities. The federal GST, which is directly linked to the selling price, represented the largest share of the total GICs in many municipalities, largely as a result of high selling prices (Calgary, Edmonton, Burnaby, and Vancouver). In cities with high infrastructure charges, such as Surrey, Saskatoon, Hamilton, Ottawa,

Vaughan, and Waterloo, the municipal share made up more than half of all GICs. Provincial charges are the largest component of the GICs in a number of municipalities, such as Halifax, Charlottetown Montreal and Quebec City, where the provincial sales tax is also based on the selling price. For all municipalities surveyed, application and processing fees represented the smallest identifiable component, less than one per cent of all GICs.

Table 4 2009 Detailed Estimated Municipal GICs - Single Detached Unit - Based on Median Home Prices

| 2009 Municipal Estimated GICs - Single Detached Unit - Based on Median Home Prices | | | | | | | | | | | | | |
|--|------------------------------|------------------------|---------------------------|-------------------------|---------------------------|---|---------------------------|----------------------------|---------------------------|-------------------------|---------------------------|----------------------|---------------------------|
| Municipality | Median Selling Price ('000s) | Infrastructure Charges | | Land Dedication Charges | | Development Application And Processing Fees | | Total Building Permit Fees | | Other Municipal Charges | | Total Municipal GICs | |
| | | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price |
| Calgary | \$437 | \$11,356 | 2.60% | \$1,591 | 0.40% | \$1,429 | 0.30% | \$1,811 | 0.40% | \$0 | 0.00% | \$16,188 | 3.70% |
| Edmonton | \$451 | \$13,247 | 2.90% | \$1,023 | 0.20% | \$718 | 0.20% | \$2,721 | 0.60% | \$0 | 0.00% | \$17,709 | 3.90% |
| Burnaby | \$775 | \$4,530 | 0.60% | \$6,521 | 0.80% | \$47 | 0.00% | \$7,105 | 0.90% | \$0 | 0.00% | \$18,203 | 2.30% |
| Prince George | \$364 | \$4,724 | 1.30% | \$920 | 0.30% | \$198 | 0.10% | \$2,001 | 0.50% | \$0 | 0.00% | \$7,843 | 2.20% |
| Surrey | \$567 | \$40,764 | 7.20% | \$12,444 | 2.20% | \$240 | 0.00% | \$3,514 | 0.60% | \$0 | 0.00% | \$56,963 | 10.00% |
| Vancouver | \$1,288 | \$17,899 | 1.40% | \$0 | 0.00% | \$2,365 | 0.20% | \$5,569 | 0.40% | \$0 | 0.00% | \$25,833 | 2.00% |
| Winnipeg | \$312 | \$3,400 | 1.10% | \$861 | 0.30% | \$240 | 0.10% | \$1,750 | 0.60% | \$0 | 0.00% | \$6,252 | 2.00% |
| Halifax RGM | \$278 | \$2,023 | 0.70% | \$5,750 | 2.10% | \$31 | 0.00% | \$1,681 | 0.60% | \$4,164 | 1.50% | \$13,648 | 4.90% |
| Yellowknife | \$404 | \$135 | 0.00% | \$0 | 0.00% | \$175 | 0.00% | \$2,609 | 0.60% | \$0 | 0.00% | \$2,919 | 0.70% |
| Greater Sudbury | \$319 | \$3,371 | 1.10% | \$3,750 | 1.20% | \$244 | 0.10% | \$2,256 | 0.70% | \$0 | 0.00% | \$9,621 | 3.00% |
| Hamilton | \$335 | \$22,878 | 6.80% | \$5,000 | 1.50% | \$598 | 0.20% | \$2,464 | 0.70% | \$0 | 0.00% | \$30,940 | 9.20% |
| Ottawa | \$362 | \$26,808 | 7.40% | \$4,413 | 1.20% | \$2,204 | 0.60% | \$2,813 | 0.80% | \$0 | 0.00% | \$36,237 | 10.00% |
| Toronto | \$843 | \$15,441 | 1.80% | \$24,545 | 2.90% | \$970 | 0.10% | \$4,820 | 0.60% | \$19,971 | 2.40% | \$65,747 | 7.80% |
| Vaughan | \$523 | \$35,528 | 6.80% | \$10,500 | 2.00% | \$1,815 | 0.30% | \$2,536 | 0.50% | \$0 | 0.00% | \$50,380 | 9.60% |
| Waterloo | \$376 | \$25,437 | 6.80% | \$4,800 | 1.30% | \$1,220 | 0.30% | \$1,760 | 0.50% | \$0 | 0.00% | \$33,217 | 8.80% |
| Windsor | \$231 | \$12,316 | 5.30% | \$2,475 | 1.10% | \$318 | 0.10% | \$1,795 | 0.80% | \$0 | 0.00% | \$16,904 | 7.30% |
| Charlottetown | \$179 | \$0 | 0.00% | \$4,500 | 2.50% | \$25 | 0.00% | \$300 | 0.20% | \$0 | 0.00% | \$4,825 | 2.70% |
| Montreal | \$340 | \$0 | 0.00% | \$5,200 | 1.50% | \$283 | 0.10% | \$1,629 | 0.50% | \$0 | 0.00% | \$7,112 | 2.10% |
| Quebec | \$226 | \$0 | 0.00% | \$6,750 | 3.00% | \$50 | 0.00% | \$300 | 0.10% | \$0 | 0.00% | \$7,100 | 3.10% |
| Saskatoon | \$379 | \$26,312 | 6.90% | \$1,364 | 0.40% | \$193 | 0.10% | \$1,160 | 0.30% | \$0 | 0.00% | \$29,027 | 7.70% |
| Whitehorse | \$311 | \$2,500 | 0.80% | \$555 | 0.20% | \$100 | 0.00% | \$1,558 | 0.50% | \$0 | 0.00% | \$4,713 | 1.50% |
| Average | \$443 | \$12,794 | 2.90% | \$4,903 | 1.20% | \$641 | 0.10% | \$2,483 | 0.50% | \$1,149 | 0.20% | \$21,970 | 5.00% |

Table 5 2009 Detailed Provincial / Federal Estimated GICs - Single Detached Unit - Based on Median Home Prices

| 2009 Provincial / Federal Estimated GICs - Single Detached Unit - Based on Median Home Prices | | | | | | | | | | | | | | | |
|---|------------------------------|--------------------------------|---------------------------|-----------------------------------|---------------------------|--------------------------|---------------------------|----------------------------|---------------------------|-----------------------|---------------------------|--|---------------------------|---------------------------------|---------------------------|
| Municipality | Median Selling Price ('000s) | New Home Warranty Program Fees | | Registry Fees / Land Transfer Tax | | Other Provincial Charges | | Provincial Sales Tax (PST) | | Total Provincial GICs | | Federal - Goods and Services Tax (GST) | | Total Provincial / Federal GICs | |
| | | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price | (\$) | % of median selling price |
| Calgary | \$437 | \$875 | 0.20% | \$122 | 0.00% | \$0 | 0.00% | \$0 | 0.00% | \$997 | 0.20% | \$21,035 | 4.80% | \$22,033 | 5.00% |
| Edmonton | \$451 | \$875 | 0.20% | \$125 | 0.00% | \$13 | 0.00% | \$0 | 0.00% | \$1,014 | 0.20% | \$22,567 | 5.00% | \$23,580 | 5.20% |
| Burnaby | \$775 | \$1,000 | 0.10% | \$13,583 | 1.80% | \$25 | 0.00% | \$23,100 | 3.00% | \$37,708 | 4.90% | \$38,774 | 5.00% | \$76,482 | 9.90% |
| Prince George | \$364 | \$1,000 | 0.30% | \$5,363 | 1.50% | \$25 | 0.00% | \$10,080 | 2.80% | \$16,468 | 4.50% | \$12,835 | 3.50% | \$29,302 | 8.00% |
| Surrey | \$567 | \$1,000 | 0.20% | \$9,418 | 1.70% | \$25 | 0.00% | \$12,285 | 2.20% | \$22,728 | 4.00% | \$28,360 | 5.00% | \$51,088 | 9.00% |
| Vancouver | \$1,288 | \$1,000 | 0.10% | \$23,836 | 1.90% | \$27 | 0.00% | \$36,456 | 2.80% | \$61,319 | 4.80% | \$64,407 | 5.00% | \$125,726 | 9.80% |
| Winnipeg | \$312 | \$875 | 0.30% | \$3,969 | 1.30% | \$0 | 0.00% | \$7,560 | 2.40% | \$12,404 | 4.00% | \$9,998 | 3.20% | \$22,402 | 7.20% |
| Halifax RGM | \$278 | \$373 | 0.10% | \$84 | 0.00% | \$60 | 0.00% | \$22,208 | 8.00% | \$22,724 | 8.20% | \$8,883 | 3.20% | \$31,608 | 11.40% |
| Yellowknife | \$404 | \$0 | 0.00% | \$606 | 0.20% | \$0 | 0.00% | \$0 | 0.00% | \$606 | 0.20% | \$17,271 | 4.30% | \$17,876 | 4.40% |
| Greater Sudbury | \$319 | \$802 | 0.30% | \$3,330 | 1.00% | \$185 | 0.10% | \$8,400 | 2.60% | \$12,717 | 4.00% | \$10,197 | 3.20% | \$22,914 | 7.20% |
| Hamilton | \$335 | \$802 | 0.20% | \$3,572 | 1.10% | \$185 | 0.10% | \$10,944 | 3.30% | \$15,503 | 4.60% | \$10,724 | 3.20% | \$26,228 | 7.80% |
| Ottawa | \$362 | \$881 | 0.20% | \$3,987 | 1.10% | \$185 | 0.10% | \$10,800 | 3.00% | \$15,854 | 4.40% | \$12,611 | 3.50% | \$28,465 | 7.90% |
| Toronto | \$843 | \$1,469 | 0.20% | \$20,046 | 2.40% | \$185 | 0.00% | \$11,536 | 1.40% | \$33,236 | 3.90% | \$42,137 | 5.00% | \$75,373 | 8.90% |
| Vaughan | \$523 | \$1,130 | 0.20% | \$8,865 | 1.70% | \$185 | 0.00% | \$11,988 | 2.30% | \$22,169 | 4.20% | \$26,165 | 5.00% | \$48,334 | 9.20% |
| Waterloo | \$376 | \$881 | 0.20% | \$4,189 | 1.10% | \$185 | 0.00% | \$10,193 | 2.70% | \$15,447 | 4.10% | \$14,127 | 3.80% | \$29,575 | 7.90% |
| Windsor | \$231 | \$644 | 0.30% | \$2,114 | 0.90% | \$185 | 0.10% | \$7,488 | 3.20% | \$10,431 | 4.50% | \$7,406 | 3.20% | \$17,837 | 7.70% |
| Charlotte-town | \$179 | \$347 | 0.20% | \$2,166 | 1.20% | \$283 | 0.20% | \$8,033 | 4.50% | \$10,828 | 6.00% | \$5,732 | 3.20% | \$16,560 | 9.20% |
| Montreal | \$340 | \$1,000 | 0.30% | \$3,738 | 1.10% | \$133 | 0.00% | \$26,304 | 7.70% | \$31,174 | 9.20% | \$10,875 | 3.20% | \$42,049 | 12.40% |
| Quebec | \$226 | \$960 | 0.40% | \$2,145 | 1.00% | \$133 | 0.10% | \$17,454 | 7.70% | \$20,692 | 9.20% | \$7,216 | 3.20% | \$27,908 | 12.40% |
| Saskatoon | \$379 | \$875 | 0.20% | \$1,137 | 0.30% | \$0 | 0.00% | \$6,075 | 1.60% | \$8,087 | 2.10% | \$14,487 | 3.80% | \$22,574 | 6.00% |
| Whitehorse | \$311 | \$0 | 0.00% | \$101 | 0.00% | \$0 | 0.00% | \$0 | 0.00% | \$101 | 0.00% | \$9,947 | 3.20% | \$10,047 | 3.20% |
| Average | 443 | \$800 | 0.20% | \$5,357 | 1.00% | \$96 | 0.00% | \$11,472 | 2.90% | \$17,724 | 4.20% | \$18,845 | 3.90% | \$36,570 | 8.10% |

Research Highlight

Government-imposed Charges on New Housing in Canada

GICs tend to be lower for dwelling types other than single detached units, such as semi-detached, row / townhouses and condominium apartments. Table 6 shows GICs for semi-detached units and Tables 7 and 8 show GICs for

row / townhouse and condominium apartment units, respectively. As previously noted, not all cities had enough new construction activity to be included in each category.

Table 6 Total Estimated GICs on Semi-detached Units, 2009

| 2009 Municipal / Provincial / Federal Estimated GICs Semi-detached Unit - Based on Median Selling Prices | | | | | | | | | |
|---|--------------|----------------------|--------------------|-----------------------|--------------------|--------------|--------------------|----------|--------------------|
| Median Selling Price ('000s) | Municipality | Total Municipal GICs | | Total Provincial GICs | | Federal GICs | | ALL GICs | |
| | | (\$) | % of selling price | (\$) | % of selling price | (\$) | % of selling price | (\$) | % of selling price |
| \$455 | Calgary | \$9,706 | 2.10% | \$1,001 | 0.20% | \$22,762 | 5.00% | \$33,469 | 7.40% |
| \$325 | Edmonton | \$16,062 | 4.90% | \$988 | 0.30% | \$10,406 | 3.20% | \$27,456 | 8.40% |
| \$578 | Burnaby | \$15,296 | 2.60% | \$24,234 | 4.20% | \$28,924 | 5.00% | \$68,453 | 11.80% |
| \$551 | Vancouver | \$20,344 | 3.70% | \$21,677 | 3.90% | \$27,568 | 5.00% | \$69,589 | 12.60% |
| \$205 | Halifax RGM | \$11,845 | 5.80% | \$16,884 | 8.30% | \$6,547 | 3.20% | \$35,276 | 17.20% |
| \$291 | Ottawa | \$33,902 | 11.60% | \$13,305 | 4.60% | \$9,315 | 3.20% | \$56,522 | 19.40% |
| \$433 | Toronto | \$34,561 | 8.00% | \$13,430 | 3.10% | \$20,571 | 4.80% | \$68,562 | 15.80% |
| \$268 | Montreal | \$7,079 | 2.60% | \$24,560 | 9.20% | \$8,584 | 3.20% | \$40,224 | 15.00% |
| \$167 | Quebec | \$4,231 | 2.50% | \$10,034 | 6.00% | \$5,354 | 3.20% | \$19,619 | 11.70% |
| \$290 | Saskatoon | \$12,860 | 4.40% | \$6,808 | 2.30% | \$9,287 | 3.20% | \$28,955 | 10.00% |
| \$356 | Average | \$16,589 | 4.80% | \$13,292 | 4.20% | \$14,932 | 3.90% | \$44,812 | 12.90% |

Table 7 Total Estimated GICs on Row / Townhouse Units, 2009

| 2009 Municipal / Provincial / Federal Estimated GICs Row / Townhouses Unit - Based on Median Selling Prices | | | | | | | | | |
|--|--------------|----------------------|--------------------|-----------------------|--------------------|--------------|--------------------|----------|--------------------|
| Median Selling Price ('000s) | Municipality | Total Municipal GICs | | Total Provincial GICs | | Federal GICs | | ALL GICs | |
| | | (\$) | % of selling price | (\$) | % of selling price | (\$) | % of selling price | (\$) | % of selling price |
| \$320 | Calgary | \$6,466 | 2.00% | \$974 | 0.30% | \$10,233 | 3.20% | \$17,673 | 5.50% |
| \$319 | Edmonton | \$14,932 | 4.70% | \$987 | 0.30% | \$10,202 | 3.20% | \$26,120 | 8.20% |
| \$428 | Burnaby | \$12,213 | 2.90% | \$16,168 | 3.80% | \$20,039 | 4.70% | \$48,420 | 11.30% |
| \$695 | Vancouver | \$8,178 | 1.20% | \$28,120 | 4.00% | \$34,751 | 5.00% | \$71,050 | 10.20% |
| \$222 | Winnipeg | \$3,652 | 1.60% | \$9,427 | 4.20% | \$7,117 | 3.20% | \$20,195 | 9.10% |
| \$254 | Halifax RGM | \$11,983 | 4.70% | \$20,838 | 8.20% | \$8,129 | 3.20% | \$40,950 | 16.10% |
| \$227 | Hamilton | \$25,356 | 11.20% | \$10,327 | 4.50% | \$7,271 | 3.20% | \$42,955 | 18.90% |
| \$230 | Ottawa | \$25,365 | 11.00% | \$11,085 | 4.80% | \$7,347 | 3.20% | \$43,797 | 19.10% |
| \$425 | Toronto | \$26,836 | 6.30% | \$19,520 | 4.60% | \$19,641 | 4.60% | \$65,997 | 15.50% |
| \$311 | Waterloo | \$25,091 | 8.10% | \$14,576 | 4.70% | \$9,963 | 3.20% | \$49,630 | 15.90% |
| \$357 | Montreal | \$6,977 | 2.00% | \$32,813 | 9.20% | \$12,004 | 3.40% | \$51,794 | 14.50% |
| \$285 | Saskatoon | \$17,554 | 6.20% | \$7,017 | 2.50% | \$9,115 | 3.20% | \$33,686 | 11.80% |
| \$339 | Average | \$15,384 | 5.10% | \$14,321 | 4.30% | \$12,984 | 3.60% | \$42,689 | 13.00% |

Table 8 Total Estimated GICs on Condominium Apartments, 2009

| 2009 Municipal / Provincial / Federal Estimated GICs Condominium Apartment Unit - Based on Median Selling Prices | | | | | | | | | |
|---|--------------|----------------------|--------------------|-----------------------|--------------------|--------------|--------------------|----------|--------------------|
| Median Selling Price ('000s) | Municipality | Total Municipal GICs | | Total Provincial GICs | | Federal GICs | | ALL GICs | |
| | | (\$) | % of selling price | (\$) | % of selling price | (\$) | % of selling price | (\$) | % of selling price |
| \$320 | Calgary | \$6,126 | 1.90% | \$974 | 0.30% | \$10,233 | 3.20% | \$17,332 | 5.40% |
| \$310 | Edmonton | \$10,596 | 3.40% | \$985 | 0.30% | \$9,922 | 3.20% | \$21,504 | 6.90% |
| \$368 | Burnaby | \$8,594 | 2.30% | \$13,781 | 3.70% | \$13,263 | 3.60% | \$35,638 | 9.70% |
| \$399 | Vancouver | \$5,867 | 1.50% | \$12,910 | 3.20% | \$16,731 | 4.20% | \$35,508 | 8.90% |
| \$207 | Winnipeg | \$2,796 | 1.40% | \$9,370 | 4.50% | \$6,611 | 3.20% | \$18,777 | 9.10% |
| \$180 | Halifax RGM | \$6,610 | 3.70% | \$16,040 | 8.90% | \$5,748 | 3.20% | \$28,398 | 15.80% |
| \$227 | Ottawa | \$11,175 | 4.90% | \$10,432 | 4.60% | \$7,265 | 3.20% | \$28,871 | 12.70% |
| \$240 | Toronto | \$13,844 | 5.80% | \$9,366 | 3.90% | \$7,691 | 3.20% | \$30,900 | 12.90% |
| \$179 | Montreal | \$3,370 | 1.90% | \$16,600 | 9.30% | \$5,723 | 3.20% | \$25,692 | 14.40% |
| \$158 | Quebec | \$410 | 0.30% | \$9,453 | 6.00% | \$5,066 | 3.20% | \$14,929 | 9.40% |
| \$245 | Saskatoon | \$10,536 | 4.30% | \$6,471 | 2.60% | \$7,846 | 3.20% | \$24,853 | 10.10% |
| \$258 | Average | \$7,266 | 2.80% | \$9,671 | 4.30% | \$8,736 | 3.30% | \$25,673 | 10.50% |

Research Highlight

Government-imposed Charges on New Housing in Canada

Table 9 captures the total GICs for each of the dwelling types and highlights the ones where highest GICs are imposed. In those centres where two or more types were included, the

pattern shows that single detached and semi-detached dwelling units are the two categories with the highest GICs. GICs tend to be lower for row / townhouses and condominium apartments.

Table 9 Total Estimated GICs by dwelling type, 2009

| 2009 Municipal / Provincial / Federal Estimated GICs by type of dwelling | | | | | | | | | | | | |
|---|------------------------------|-----------|--------|------------------------------|----------|--------|------------------------------|----------|--------|------------------------------|----------|--------|
| Municipality | Single Detached | | | Semi-detached | | | Row / Townhouse | | | Condominium Apartments | | |
| | Median Selling Price (000's) | All GICs | | Median Selling Price (000's) | All GICs | | Median Selling Price (000's) | All GICs | | Median Selling Price (000's) | All GICs | |
| Calgary | \$437 | \$38,221 | 8.75% | \$455 | \$33,469 | 7.40% | \$320 | \$17,673 | 5.50% | \$320 | \$17,332 | 5.40% |
| Edmonton | \$451 | \$41,289 | 9.15% | \$325 | \$27,456 | 8.40% | \$319 | \$26,120 | 8.20% | \$310 | \$21,504 | 6.90% |
| Burnaby | \$775 | \$94,685 | 12.21% | \$578 | \$68,453 | 11.80% | \$428 | \$48,420 | 11.30% | \$368 | \$35,638 | 9.70% |
| Prince George | \$364 | \$37,145 | 10.19% | not covered | | | | | | | | |
| Surrey | \$567 | \$108,050 | 19.05% | not covered | | | | | | | | |
| Vancouver | \$1,288 | \$151,559 | 11.77% | \$551 | \$69,589 | 12.60% | \$695 | \$71,050 | 10.20% | \$399 | \$35,508 | 8.90% |
| Winnipeg | \$312 | \$28,654 | 9.17% | not covered | | | \$222 | \$20,195 | 9.10% | \$207 | \$18,777 | 9.10% |
| Halifax RGM | \$278 | \$45,256 | 16.30% | \$205 | \$35,276 | 17.20% | \$254 | \$40,950 | 16.10% | \$180 | \$28,398 | 15.80% |
| Yellowknife | \$404 | \$20,795 | 5.15% | not covered | | | | | | | | |
| Greater Sudbury | \$319 | \$32,535 | 10.21% | not covered | | | | | | | | |
| Hamilton | \$335 | \$57,168 | 17.06% | not covered | | | \$227 | \$42,955 | 18.90% | not covered | | |
| Ottawa | \$362 | \$64,702 | 17.85% | \$291 | \$56,522 | 19.40% | \$230 | \$43,797 | 19.10% | \$227 | \$28,871 | 12.70% |
| Toronto | \$843 | \$141,120 | 16.75% | \$433 | \$68,562 | 15.80% | \$425 | \$65,997 | 15.50% | \$240 | \$30,900 | 12.90% |
| Vaughan | \$523 | \$98,713 | 18.86% | not covered | | | | | | | | |
| Waterloo | \$376 | \$62,791 | 16.70% | not covered | | | \$311 | \$49,630 | 15.90% | not covered | | |
| Windsor | \$231 | \$34,741 | 15.01% | not covered | | | | | | | | |
| Charlotte-town | \$179 | \$21,385 | 11.94% | not covered | | | | | | | | |
| Montreal | \$340 | \$49,161 | 14.47% | \$268 | \$40,224 | 15.00% | \$357 | \$51,794 | 14.50% | \$179 | \$25,692 | 14.40% |
| Quebec | \$226 | \$35,008 | 15.52% | \$167 | \$19,619 | 11.70% | not covered | | | \$158 | \$14,929 | 9.40% |
| Saskatoon | \$379 | \$51,602 | 13.61% | \$290 | \$28,955 | 10.00% | \$285 | \$33,686 | 11.80% | \$245 | \$24,853 | 10.10% |
| Whitehorse | \$311 | \$14,760 | 4.75% | not covered | | | | | | | | |
| Average | \$443 | \$58,540 | 13.10% | \$356 | \$44,812 | 12.90% | \$339 | \$42,689 | 13.00% | \$258 | \$25,673 | 10.50% |

Note: The type of dwelling with the highest overall GICs, relative to selling price, are highlighted.

The 2009 GIC study also examined changes in GICs for median-priced, single detached units between 2006 and 2009. A summary of the net effect of changes is presented in Figure 3. The final report provides details on the causes for the changes illustrated in the figure below. However, the main change that occurred since the 2006 study, which is consistent among

most municipalities, was at the federal level with the reduction in GST that was applied across all jurisdictions. Where increases in GICs were observed, in many cases they were the result of sale prices having reached thresholds beyond which tax rebates stop applying or of increasing land values, which had an impact on the \$ values of land dedication contributions.

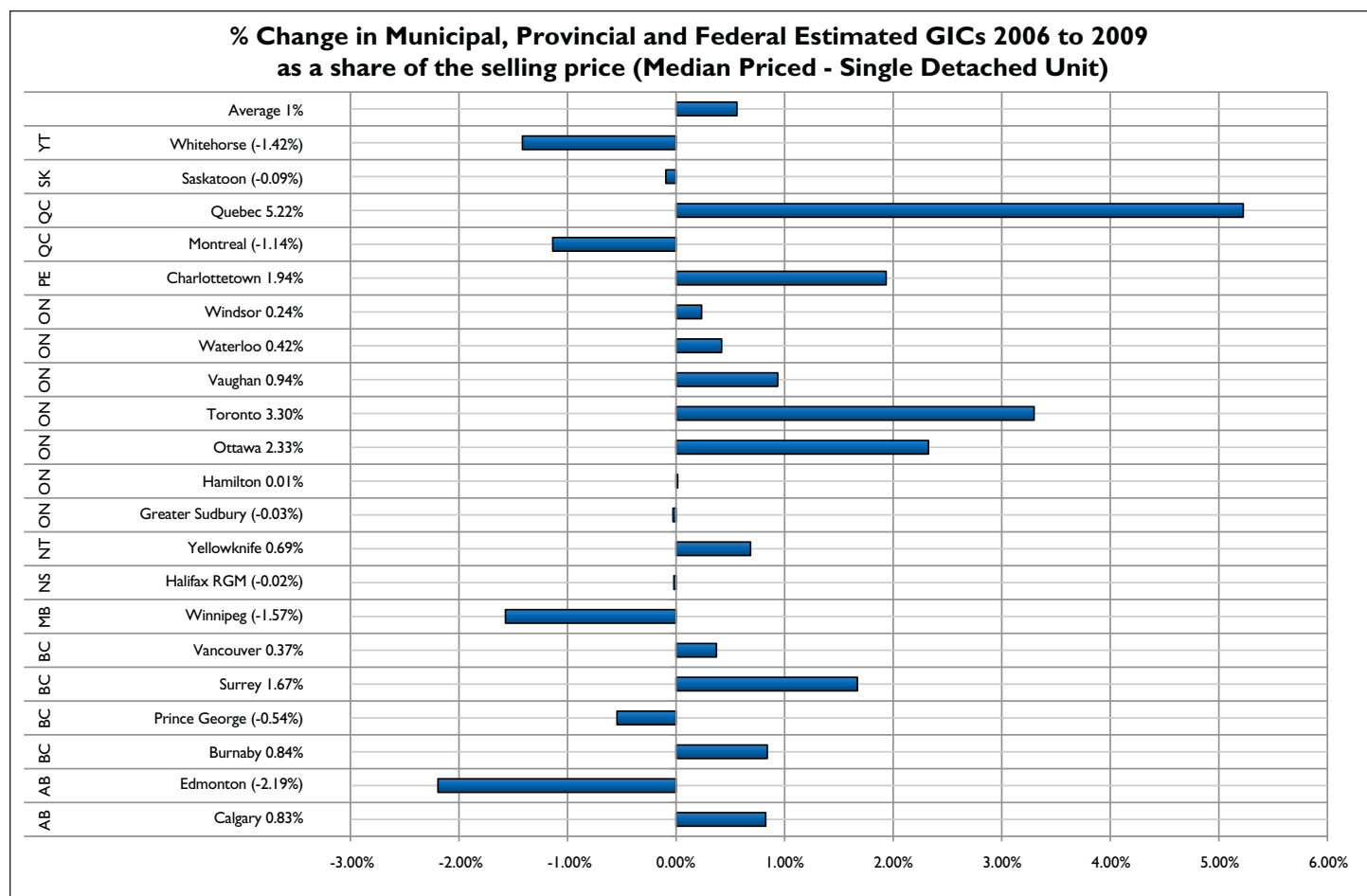


Figure 3 % Change in Municipal, Provincial and Federal Estimated GICs 2006 to 2009 as a share of the selling price (Median Priced - Single Detached Unit)

Research Highlight

Government-imposed Charges on New Housing in Canada

The complete report provides additional details and analysis of the various GICs, including appendices containing an estimate of the assessed value and residential property taxes paid in each of the municipalities, for each of the dwelling units covered in the study. The report also includes a detailed description and listing of the GIC components for each of the 21 municipalities in the study, as well as the basis for calculating the estimates.

CMHC Project Manager: Roger Mareschal

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RESEARCH REPORT



Examination into Government Imposed
Charges on New Housing Construction



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CMHC

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

FINAL REPORT

DECEMBER 24, 2010



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EXECUTIVE SUMMARY

This study examined government imposed charges (GICs) on new housing in 21 centres across Canada in 2009. GICs are comprised of a range of levies, fees, charges and taxes that are imposed by municipal, provincial and federal levels of government.

This study is the 4th in a series; the other studies examined GICs in 1996, 2002 and 2006.

- The 1996 study conducted for CMHC entitled *Levies, Fees, Charges, Taxes and Transaction Costs on New Housing* examined government imposed costs on single detached and row housing in 26 municipalities and compared the costs to the sale price for these housing types. The 1996 study included homes in the 20th-25th percentile of selling prices; these were identified as 'modest' priced homes. Due to the significant variation found in the 'typical' modest home, the study introduced a standard single-detached house in an attempt to provide a more consistent basis of comparison by using the same size of house and lot in all municipalities. The standard house comprised 1,200 sq ft in area and had a 35-foot lot. The analysis for the standard single detached house was limited to local municipal charges.
- The 2002 study *Levies, Fees, Charges and Taxes on New Housing 2002* increased the sampling universe to 30 municipalities and covered a broader range of dwelling types to include condominiums and rental apartments. The 2002 study focused on the modest priced dwelling units defined as falling into the 20th-25th percentile of all selling prices. The 2002 study did not examine the 'standardized' house which had been reviewed in the 1996 study.
- The 2006 study *Government Imposed Charges on New Housing in Canada* further expanded the sample to 32 municipalities and covered the same GICs as the 2002 study. It excluded rental apartments from the range of dwelling types reviewed. The 2006 study examined the 'median' priced dwelling unit, defined as being at the 50th percentile of overall selling prices by type; it did not examine the 'modest' priced units. Due to this divergence, the authors of the 2006 study adjusted the 2002 housing and GIC data to reflect the 'median' selling prices in order to carry out a trends analysis for the single detached dwellings category¹.

This 2009 report presents estimates of the various GICs associated with new dwelling units – both 'median' (50th percentile) and 'modest' (20th-25th percentile) priced single-detached, semi-detached, row and apartment units in 21 centres². Further, this report examines trends in GICs over the 2006 to 2009 timeframe based on the findings of the current study relative to the 2006 study focusing on 'median' priced single detached units.

In addition to the GICs examined in the 2002 and 2006 reports, the 2009 study also examines incentives for new housing development, offered at the municipal, provincial and federal levels. Further, the subject study includes two additional infrastructure charges at the municipal level: public transport and/or environmental related fees/contributions.

The report is comprised of 4 sections. Section 1 provides an introduction and background including an overview of the report structure. Section 2 details the study scope and methodology used to gather and analyze data. Section 3 includes a description of the various GICs at the municipal, provincial and federal levels. The estimates of the 2009 GICs for new housing in 2009 are detailed

¹ Refer to the 2006 *Government Imposed Charges on New Housing in Canada* for further details on the approach used to adjust the 2002 housing data.

² As per the terms of reference for this study, where municipalities did not have sufficient housing starts in a particular housing category in 2008, no GIC information was to be collected and no analysis was to be performed for that housing type.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

for the modest and median single detached dwelling units. Section 4 details the absolute and relative GIC trends for median priced single detached dwelling units over the 2006 to 2009 timeframe.

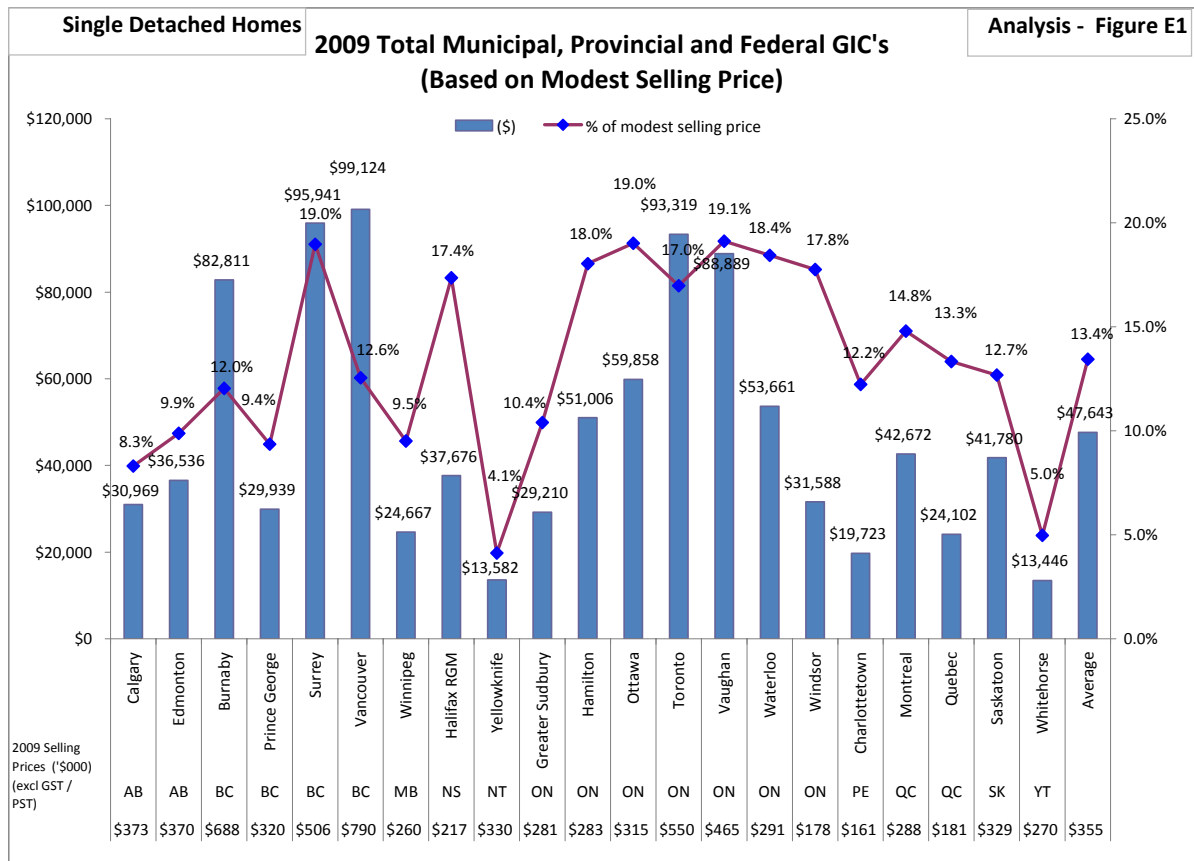
GICs FOR MODEST PRICED SINGLE DETACHED DWELLING UNITS

Overall, the average GIC in 2009 among all municipalities studied was \$47,643 for a modest single detached dwelling unit. Table E1 and Figure E1 show the estimated GICs for the 21 centres reviewed for 2009 for the 'modest' category. In absolute terms, Vancouver had the highest GICs at \$99,124, followed by Surrey at \$95,941, Toronto at \$93,319, Vaughan at \$88,889 and Burnaby at \$82,811. Then there is a drop of some \$23,000 to the next highest GICs in Ottawa at \$59,858, followed by Waterloo at \$53,958. The lowest GICs are in Whitehorse at \$13,446, Yellowknife at \$13,582 and Charlottetown at \$19,381. The rankings in relative and absolute values are provided in Table E1.

Table E1 - 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Modest Selling Price

| 2009 Total Municipal, Provincial and Federal GICs for Dwellings with Modest Selling Price | | | | | | | |
|---|------------|--------------------|-------------------------------|-----------------------------------|------------|--------------------|-------------------------------|
| Decreasing relative value of GICs | | | | Decreasing absolute value of GICs | | | |
| Centre | Total GICs | % of selling price | Average selling price ('000s) | Centre | Total GICs | % of selling price | Average selling price ('000s) |
| Vaughan, ON | \$88,889 | 19.1% | \$465 | Vancouver, BC | \$99,124 | 12.5% | \$790 |
| Surrey, BC | \$95,941 | 19.0% | \$506 | Surrey, BC | \$95,941 | 19.0% | \$506 |
| Ottawa, ON | \$59,858 | 19.0% | \$315 | Toronto, ON | \$93,319 | 17.0% | \$550 |
| Waterloo, ON | \$53,661 | 18.4% | \$291 | Vaughan, ON | \$88,889 | 19.1% | \$465 |
| Hamilton, ON | \$51,006 | 18.0% | \$283 | Burnaby, BC | \$82,811 | 12.0% | \$688 |
| Windsor, ON | \$31,588 | 17.7% | \$178 | Ottawa, ON | \$59,858 | 19.0% | \$315 |
| Halifax RGM, NS | \$37,676 | 17.4% | \$217 | Waterloo, ON | \$53,661 | 18.4% | \$291 |
| Toronto, ON | \$93,319 | 17.0% | \$550 | Hamilton, ON | \$51,006 | 18.0% | \$283 |
| Montreal, QC | \$42,672 | 14.8% | \$288 | Montreal, QC | \$42,672 | 14.8% | \$288 |
| Quebec, QC | \$24,102 | 13.3% | \$181 | Saskatoon, SK | \$41,780 | 12.7% | \$329 |
| Saskatoon, SK | \$41,780 | 12.7% | \$329 | Halifax RGM, NS | \$37,676 | 17.4% | \$217 |
| Vancouver, BC | \$99,124 | 12.5% | \$790 | Edmonton, AB | \$36,536 | 9.9% | \$370 |
| Charlottetown, PE | \$19,723 | 12.3% | \$161 | Windsor, ON | \$31,588 | 17.7% | \$178 |
| Burnaby, BC | \$82,811 | 12.0% | \$688 | Calgary, AB | \$30,969 | 8.3% | \$373 |
| Greater Sudbury, ON | \$29,210 | 10.4% | \$281 | Prince George, BC | \$29,939 | 9.4% | \$320 |
| Edmonton, AB | \$36,536 | 9.9% | \$370 | Greater Sudbury, ON | \$29,210 | 10.4% | \$281 |
| Winnipeg, MB | \$24,667 | 9.5% | \$260 | Winnipeg, MB | \$24,667 | 9.5% | \$260 |
| Prince George, BC | \$29,939 | 9.4% | \$320 | Quebec, QC | \$24,102 | 13.3% | \$181 |
| Calgary, AB | \$30,969 | 8.3% | \$373 | Charlottetown, PE | \$19,723 | 12.3% | \$161 |
| Whitehorse, YT | \$13,446 | 5.0% | \$270 | Yellowknife, NT | \$13,582 | 4.1% | \$330 |
| Yellowknife, NT | \$13,582 | 4.1% | \$330 | Whitehorse, YT | \$13,446 | 5.0% | \$270 |

Figure E1 - 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Modest Selling Price



GICs exceeded \$80,000 in 4 municipalities: Surrey, Toronto, Vaughan and Burnaby. A 2nd tier of municipalities had GICs in the range of \$40,000 to \$60,000: Ottawa, Waterloo, Hamilton, Montreal and Saskatoon. A 3rd tier of GICs in the \$20,000 to \$39,000 range included: Halifax, Edmonton, Windsor, Calgary, Prince George, Greater Sudbury, Winnipeg and Quebec. The 4th tier of GICs, below \$20,000 included: Charlottetown, Yellowknife and Whitehorse.

Figure E1 also shows the GICs on modest single detached dwelling units in each centre in relative terms (i.e., as a percentage of selling price). Overall, GICs represent 13.3% of the selling price³ in 2009. Across the 21 centres the percentage ranged from a low of 4.1% in Yellowknife to a high of 19.1% in Vaughan. In Vaughan, Ottawa, Surrey, Waterloo, Windsor, Halifax and Toronto, the percentage was 17% or higher. For Montreal, Quebec, Saskatoon, Burnaby and Sudbury it was between 10% and 15%. And for the remaining centres of Edmonton, Winnipeg, Calgary, Whitehorse and Yellowknife the percentage was less than 10%.

The analysis reveals that the absolute GIC (dollar value) and the relative GIC (% of selling price) do not necessarily result in the same ranking. For example, Vancouver which ranked 1st overall in absolute terms at \$99,124 for total GICs, ranked 12th in relative terms at 12.6%.

³ Selling price is net of GST.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

Overall, the municipal GICs represented the largest component of total GICs at 42.4%, followed by federal charges at 29.6% and provincial charges at 28.1%. The composition of GICs also varied across the country, as follows:

- Municipal GICs represented the largest proportion of overall GICs in 10 of the 21 centres, including: Waterloo (61.2%), Edmonton (60.5%), Ottawa (60%), Hamilton (58.9%), Saskatoon (56.6%), Surrey (55.7%), Calgary (52.3%), Windsor (54.1%), Vaughan (54%) and Toronto (47.1%).
- The Federal GST represented the largest proportion of GICs for Yellowknife (77.6%), Whitehorse (64.3%), Burnaby (41.5%) and Vancouver (39.8%).
- The Provincial GICs represented the largest proportion of total GICs for Montreal (61.9%), Charlottetown (49.7%), Halifax (47.5%), Quebec (46.5%), Winnipeg (42.9%) and Prince George (40.8%).

For all centres included in the survey, application and processing fees represented a small component of the overall GICs (\$641 on average or 0.2% of the average selling price of \$355,000) as did home warranty programs (\$756 on average, or 0.2% of selling price), other provincial charges (\$96 on average or less than 0.1%) and other municipal charges (\$618 on average or 0.2%).

Overall, in absolute terms GICs are highest for single detached units relative to all other dwelling unit types included in the survey (i.e., semi-detached, row and apartments). In relative terms, generally the single detached units have the highest percentage of GICs expressed as a percentage of the selling price. However, for some centres the GICs for semi detached or the row dwelling units represented a higher percentage of the selling price relative to the single detached dwelling unit.

GICs FOR MEDIAN PRICED SINGLE DETACHED DWELLING UNITS

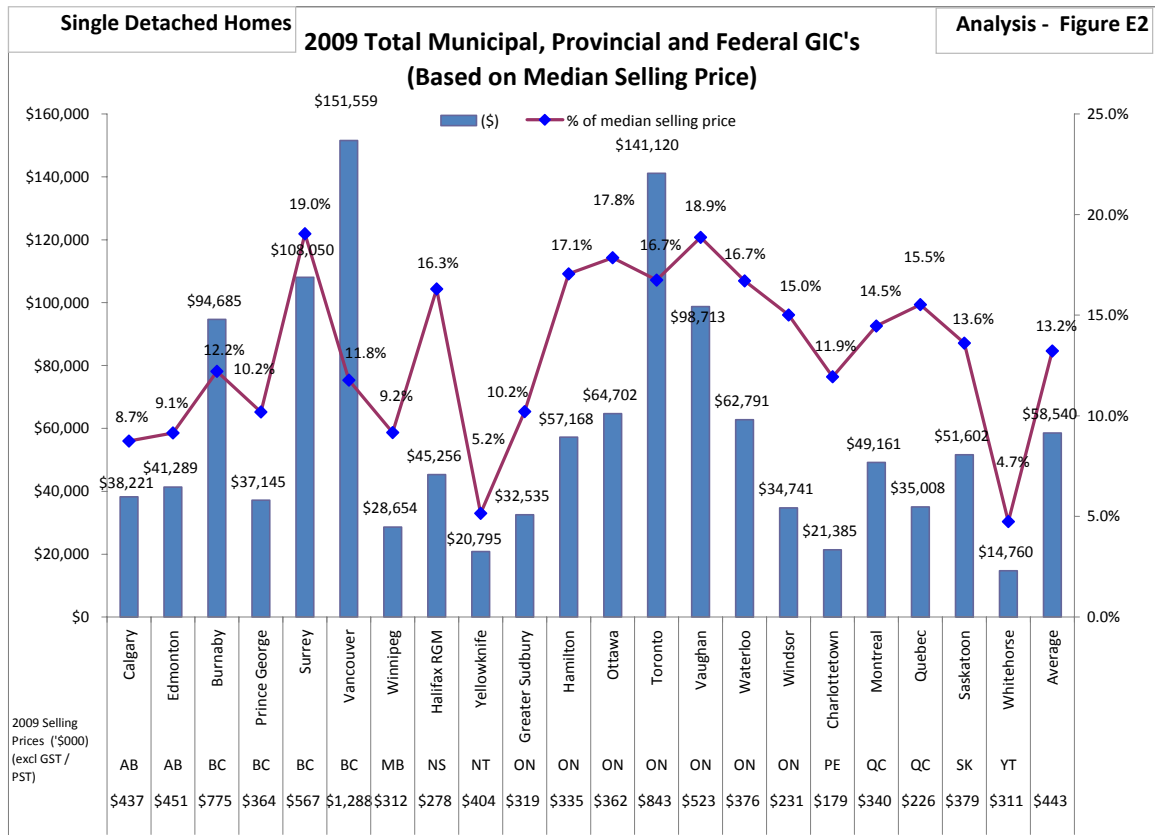
Three BC municipalities and two Ontario municipalities had the highest absolute GICs for median priced single detached dwelling units :

- Vancouver at \$151,559 (11.8% of selling price at \$1,288,137);
- Toronto at \$141,120 (16.8% of selling price at \$842,743);
- Surrey at \$108,050 (19% of selling price at \$567,207);
- Vaughan at \$98,713 (18.9% of selling price at \$523,295); and
- Burnaby at \$94,685 (12.2% of selling price \$775,481).

The aforementioned centres ranked highest in the modest category as well. These municipalities also had the highest selling prices in the median category for single detached dwelling units.

- The (simple) average total GICs across the 21 centres was \$58,540 in 2009.
- Southern Ontario municipalities GICs amounted to about 15 – 19% of the selling price of a home. Surrey at 19%, representing the highest percentage in the study, was much higher than other BC municipalities of Prince George, Vancouver, and Burnaby at 10.2%, 11.8% and 12.2% respectively.
- Yellowknife and Whitehouse had the lowest GICs and as a percentage of the selling price.

Figure E2 - 2009 Total Estimated Municipal, Provincial and Federal GICs for Dwellings with Median Selling Price



- While overall the GICs for median priced dwelling units exceeded total GICs for modest units, mainly due to PST and GST, the study found that the municipal GICs imposed on modest and median units in the same municipality were roughly the same.

GICs TRENDS 2006 – 2009 FOR MEDIAN SINGLE DETACHED DWELLING UNIT

Over the 2006 to 2009 timeframe, the GIC trends for the ‘median’ single detached dwelling unit, among the municipalities studied, were as follows:

- On a comparative basis, allowing for indexing of the 2006 values, the overall average GIC for a median priced single detached dwelling unit rose from \$47,622 in 2006 (indexed⁴ to 2009)⁵ to \$58,540 in 2009 – representing a 23% increase.
- Overall, the average median single detached dwelling unit price was \$378,926 in 2006 (indexed to 2009) compared to \$443,000 in 2009 – a 17% increase.
- Thus, GICs increased at a faster rate than housing prices over the 2006 to 2009 timeframe.
- In 2009, on average, GICs represented 13.2% of the price compared to 12.6% in 2006.

⁴ Indexing is discussed in Section 4 of the report.

⁵ The 2006 study calculated a ‘weighted’ GIC based on housing starts. The current 2009 study does not ‘weight’ the results. Therefore, in order to report on the ‘comparable’ or the trend, the 2006 values have not been weighted.

The previous studies all concluded that GICs have a direct effect on the total cost of housing. This 4th study has come to the same conclusion. Given that GICs have a direct effect on the total cost of housing, as such GICs also have an impact on affordability.

EXAMEN PAR LA SCHL DES FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR LES NOUVEAUX LOGEMENTS

RÉSUMÉ

La présente étude porte sur les frais imposés par les gouvernements pour les nouveaux logements en 2009 dans 21 centres, partout au Canada. Ces frais comprennent un éventail d'impôts, de droits, de frais et de taxes, qui sont imposés par les administrations municipales, ainsi que les gouvernements provinciaux et fédéral.

Il s'agit de la 4^e d'une série d'études sur la question. Les trois précédentes ont été effectuées en 1996, 2002 et 2006.

- L'étude de 1996, réalisée pour la SCHL et intitulée Les impôts, droits, frais, taxes et coûts de transaction sur les logements neufs, portait sur les frais imposés par les gouvernements pour les maisons individuelles et en rangée dans 26 municipalités et comparait ces frais au prix de vente de chaque type de logement. Elle visait les logements se situant entre les 20^e et 25^e percentiles des prix; on a déterminé que ces logements étaient d'un prix « modique ». En raison de la grande variation dans le logement d'un prix modique « typique », l'étude a défini une maison individuelle standard, afin d'essayer de fournir un élément de comparaison plus cohérent en utilisant la même taille de maison et de terrain dans toutes les municipalités. La maison standard avait une superficie de 1 200 pieds carrés et un terrain de 35 pieds de large. L'analyse de la maison individuelle standard s'est limitée aux frais imposés par les administrations municipales.
- L'étude de 2002, intitulée Impôts, droits, frais et taxes sur les logements neufs 2002, a étendu l'échantillon à 30 municipalités et a porté sur un plus vaste éventail de logements, y compris les logements en copropriété et les appartements locatifs. Elle s'est concentrée sur les logements d'un prix modique se situant entre les 20^e et 25^e percentiles de l'ensemble des prix de vente. Elle ne visait pas la maison « standard » examinée dans l'étude de 1996.
- L'étude de 2006, intitulée Frais imposés par les gouvernements pour les nouveaux logements au Canada, a étendu l'échantillonnage à 32 municipalités et a porté sur les mêmes frais imposés par les gouvernements que celle de 2002. Son échantillon de logements étudiés n'incluait pas les appartements locatifs. L'étude de 2006 a porté sur le logement d'un prix « médian », défini comme se situant au 50^e percentile de l'ensemble des prix de vente par type de logement; elle ne visait pas les logements d'un prix « modique ». En raison de cette différence, les auteurs de l'étude de 2006 ont ajusté les données de 2002 sur les logements et les frais imposés par les gouvernements pour tenir compte des prix de vente « médians », afin d'effectuer une analyse des tendances de la catégorie des maisons individuelles.⁶

Le présent rapport fournit des estimations de divers frais imposés par les gouvernements pour les nouveaux logements – maisons individuelles, maisons jumelées, maisons en rangée et appartements d'un prix « médian » (50^e percentile) et « modique (du 20^e au 25^e percentiles) dans 21 centres.⁷ En outre, il passe en revue les tendances des frais imposés par les gouvernements durant la période de 2006

⁶ On trouvera dans l'étude de 2006, intitulée *Frais imposés par les gouvernements pour les nouveaux logements au Canada*, de plus amples détails sur l'approche utilisée pour ajuster les données de 2002 sur les logements.

⁷ Conformément au mandat de cette étude, lorsque les municipalités n'avaient pas suffisamment de mises en chantier dans une catégorie particulière de logement en 2008, aucun renseignement sur les frais imposés par les gouvernements ne devait être recueilli et aucune analyse ne devait être effectuée pour ce type de logement.

à 2009 en se fondant sur les constatations de l'étude actuelle par rapport à celle de 2006, qui se concentrait sur les maisons individuelles d'un prix « médian ».

En plus des frais imposés par les gouvernements étudiés dans les rapports de 2002 et 2006, l'étude de 2009 porte également sur les incitations municipales, provinciales et fédérales à la construction d'ensembles résidentiels. En outre, elle porte sur deux frais d'infrastructure supplémentaires au niveau municipal, soit les droits et les contributions relatifs au transport en commun et/ou à l'environnement.

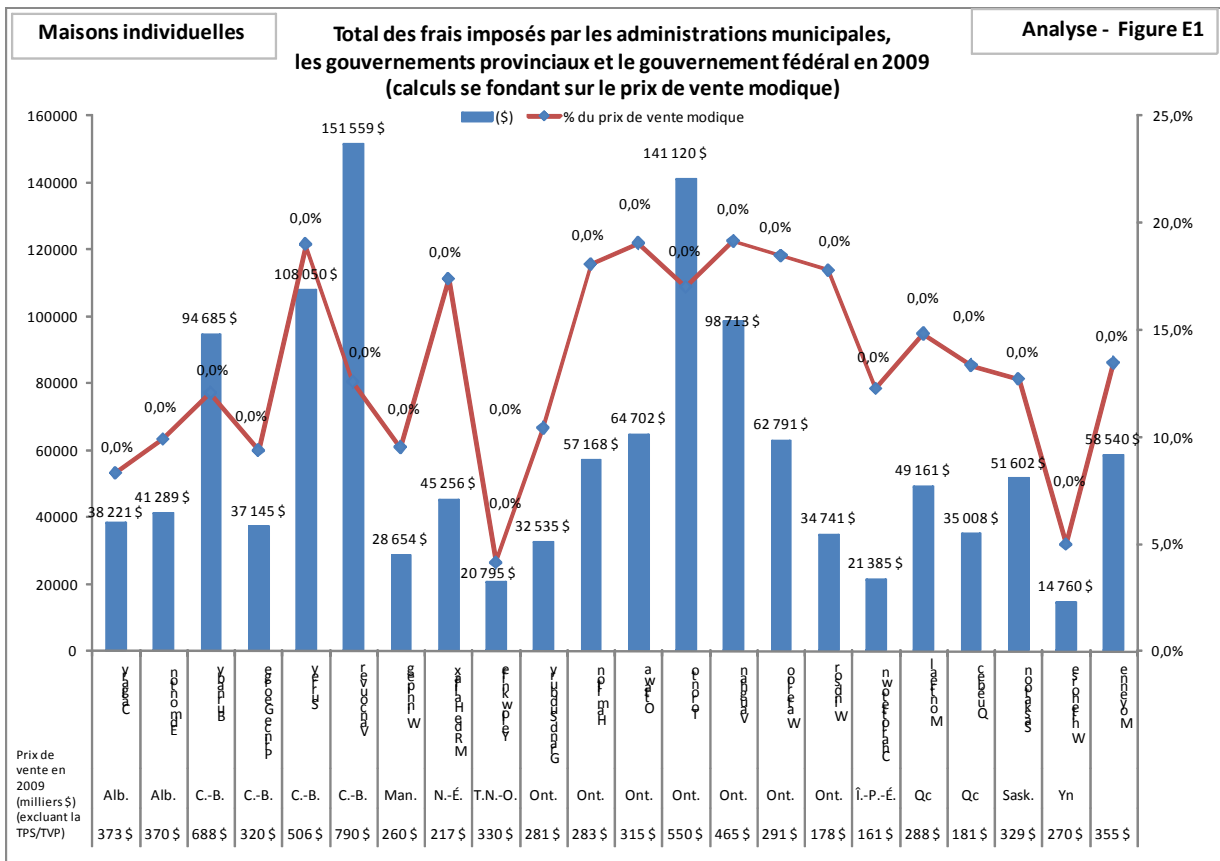
Le rapport comporte quatre sections. La section 1 présente une introduction et le contexte de l'étude, y compris un aperçu de la structure du rapport. La section 2 expose en détail la portée de l'étude et la méthodologie utilisée pour recueillir et analyser les données. La section 3 comprend une description des divers frais imposés par les administrations municipales et les gouvernements provinciaux et fédéral. Les estimations des frais imposés par les gouvernements pour les nouveaux logements en 2009 sont exposées en détail pour les maisons individuelles d'un prix modique et médian. La section 4 présente en détail les tendances des frais absolus et des frais relatifs imposés par les gouvernements pour les maisons individuelles d'un prix médian pour la période de 2006 à 2009.

FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR LES MAISONS INDIVIDUELLES D'UN PRIX MODIQUE

Dans l'ensemble, la moyenne des frais imposés par les gouvernements en 2009 dans toutes les municipalités étudiées s'établissait à 47 643 \$ pour une maison individuelle d'un prix modique. Le tableau E1 et la figure E1 présentent les frais estimatifs imposés par les gouvernements dans les 21 centres étudiés en 2009 pour la catégorie de prix « modique ». En termes absolus, Vancouver a le niveau global de frais imposés par les gouvernements le plus élevé (99 124 \$), suivi de Surrey (95 941 \$), Toronto (93 319 \$), Vaughan (88 889 \$) et Burnaby (82 811 \$). Les frais chutent ensuite d'environ 23 000 \$ pour les villes suivantes, soit Ottawa (59 858 \$) et Waterloo (53 958 \$). Les frais les plus faibles imposés par les gouvernements sont à Whitehorse (13 446 \$), à Yellowknife (13 582 \$) et à Charlottetown (19 381 \$). Les classements relatifs et absolus sont présentés au tableau E1.

| Tableau E1 – Total estimatif des frais imposés par les administrations municipales et les gouvernements provinciaux et fédéral pour les logements d'un prix modique en 2009 | | | | | | | |
|--|---|--------------------|---|---|---|--------------------|---|
| Valeur relative des frais imposés par les gouvernements en ordre décroissant | | | | Valeur absolue des frais imposés par les gouvernements en ordre décroissant | | | |
| Centre | Total des frais imposés par les gouvernements | % du prix de vente | Prix de vente moyen (en milliers de \$) | Centre | Total des frais imposés par les gouvernements | % du prix de vente | Prix de vente moyen (en milliers de \$) |
| Vaughan (Ont.) | 88 889 \$ | 19,1 % | 465 \$ | Vancouver (C.-B.) | 99 124 \$ | 12,5 % | 790 \$ |
| Surrey (C.-B.) | 95 941 \$ | 19,0 % | 506 \$ | Surrey (C.-B.) | 95 941 \$ | 19,0 % | 506 \$ |
| Ottawa (Ont.) | 59 858 \$ | 19,0 % | 315 \$ | Toronto (Ont.) | 93 319 \$ | 17,0 % | 550 \$ |
| Waterloo (Ont.) | 53 661 \$ | 18,4 % | 291 \$ | Vaughan (Ont.) | 88 889 \$ | 19,1 % | 465 \$ |
| Hamilton (Ont.) | 51 006 \$ | 18,0 % | 283 \$ | Burnaby (C.-B.) | 82 811 \$ | 12,0 % | 688 \$ |
| Windsor (Ont.) | 31 588 \$ | 17,7 % | 178 \$ | Ottawa (Ont.) | 59 858 \$ | 19,0 % | 315 \$ |
| MR de Halifax (N.-É.) | 37 676 \$ | 17,4 % | 217 \$ | Waterloo (Ont.) | 53 661 \$ | 18,4 % | 291 \$ |
| Toronto (Ont.) | 93 319 \$ | 17,0 % | 550 \$ | Hamilton (Ont.) | 51 006 \$ | 18,0 % | 283 \$ |
| Montréal (Qc) | 42 672 \$ | 14,8 % | 288 \$ | Montréal (Qc) | 42 672 \$ | 14,8 % | 288 \$ |
| Québec (Qc) | 24 102 \$ | 13,3 % | 181 \$ | Saskatoon (Sask.) | 41 780 \$ | 12,7 % | 329 \$ |
| Saskatoon (Sask.) | 41 780 \$ | 12,7 % | 329 \$ | MR de Halifax (N.-É.) | 37 676 \$ | 17,4 % | 217 \$ |
| Vancouver (C.-B.) | 99 124 \$ | 12,5 % | 790 \$ | Edmonton (Alb.) | 36 536 \$ | 9,9 % | 370 \$ |
| Charlottetown (I.-P.-É.) | 19 723 \$ | 12,3 % | 161 \$ | Windsor (Ont.) | 31 588 \$ | 17,7 % | 178 \$ |
| Burnaby (C.-B.) | 82 811 \$ | 12,0 % | 688 \$ | Calgary (Alb.) | 30 969 \$ | 8,3 % | 373 \$ |
| Grand Sudbury (Ont.) | 29 210 \$ | 10,4 % | 281 \$ | Prince George (C.-B.) | 29 939 \$ | 9,4 % | 320 \$ |
| Edmonton (Alb.) | 36 536 \$ | 9,9 % | 370 \$ | Grand Sudbury (Ont.) | 29 210 \$ | 10,4 % | 281 \$ |
| Winnipeg (Man.) | 24 667 \$ | 9,5 % | 260 \$ | Winnipeg (Man.) | 24 667 \$ | 9,5 % | 260 \$ |
| Prince George (C.-B.) | 29 939 \$ | 9,4 % | 320 \$ | Québec (Qc) | 24 102 \$ | 13,3 % | 181 \$ |
| Calgary (Alb.) | 30 969 \$ | 8,3 % | 373 \$ | Charlottetown (I.-P.-É.) | 19 723 \$ | 12,3 % | 161 \$ |
| Whitehorse (Yn) | 13 446 \$ | 5,0 % | 270 \$ | Yellowknife (T. N.-O.) | 13 582 \$ | 4,1 % | 330 \$ |
| Yellowknife (T. N.-O.) | 13 582 \$ | 4,1 % | 330 \$ | Whitehorse (Yn) | 13 446 \$ | 5,0 % | 270 \$ |

Figure E1 – Total estimatif des frais imposés par les gouvernements pour les maisons individuelles d'un prix de vente modique



Les frais imposés par les gouvernements dépassent 80 000 \$ dans quatre municipalités, soit Surrey, Toronto, Vaughan et Burnaby. Un deuxième ensemble de municipalités a des frais s'établissant entre 40 000 \$ et 60 000 \$, soit Ottawa, Waterloo, Hamilton, Montréal et Saskatoon. Un troisième ensemble de municipalités a des frais s'établissant entre 20 000 \$ et 39 000 \$, soit Halifax, Edmonton, Windsor, Calgary, Prince George, Grand Sudbury, Winnipeg et Québec, alors que les frais totalisent moins de 25 000 \$ à Charlottetown, à Yellowknife et à Whitehorse.

La figure E1 montre également les frais imposés par les gouvernements pour les maisons individuelles d'un prix modique en termes relatifs (c.-à-d. en pourcentage du prix de vente). Dans l'ensemble, ces frais représentent 13,3 % du prix de vente⁸ en 2009. Dans les 21 centres, le pourcentage varie d'un plancher de 4,1 % à Yellowknife à un plafond de 19,1 % à Vaughan. À Vaughan, Ottawa, Surrey, Waterloo, Windsor, Halifax et Toronto, le pourcentage est de 17 % ou plus. À Montréal, Québec, Saskatoon, Burnaby et Sudbury, il se situe entre 10 % et 15 %, alors qu'à Edmonton, Winnipeg, Calgary, Whitehorse et Yellowknife, il est inférieur à 10 %.

L'analyse révèle que les frais absolus (en dollars) et les frais relatifs (pourcentage du prix de vente) ne produisent pas nécessairement le même classement. Par exemple, Vancouver, qui se classe au premier rang en termes absolus pour ce qui est du total des frais imposés par les gouvernements (99 124 \$), arrive en 12^e position en termes relatifs (12,6 %).

⁸ Le prix de vente exclut la TPS.

Dans l'ensemble, les frais imposés par les administrations municipales ont constitué la partie la plus importante du total des frais imposés par les gouvernements (42,4 %), suivis des frais du gouvernement fédéral (29,6 %) et des frais des gouvernements provinciaux (28,1 %). La composition des frais imposés par les gouvernements variait également d'une région à l'autre du pays, comme suit :

- Les frais imposés par les administrations municipales représentaient la proportion la plus élevée des frais globaux imposés par les gouvernements dans 10 des 21 centres, notamment à Waterloo (61,2 %), Edmonton (60,5 %), Ottawa (60 %), Hamilton (58,9 %), Saskatoon (56,6 %), Surrey (55,7 %), Calgary (52,3 %), Windsor (54,1 %), Vaughan (54 %) et Toronto (47,1 %).
- La TPS fédérale représentait la proportion la plus élevée des frais imposés par les gouvernements à Yellowknife (77,6 %), Whitehorse (64,3 %), Burnaby (41,5 %) et Vancouver (39,8 %).
- Les frais imposés par les gouvernements provinciaux représentaient la proportion la plus élevée du total des frais imposés par les gouvernements à Montréal (61,9 %), Charlottetown (49,7 %), Halifax (47,5 %), Québec (46,5 %), Winnipeg (42,9 %) et Prince George (40,8 %).

Dans tous les centres visés par l'étude, les frais de demande et de traitement représentaient une faible proportion du total des frais imposés par les gouvernements (641 \$, en moyenne, soit 0,2 % du prix de vente moyen de 355 000 \$), tout comme les primes des programmes de garantie des maisons neuves (756 \$, en moyenne, soit 0,2 % du prix de vente), les autres frais provinciaux (96 \$, en moyenne, soit 1,0 %) et les autres frais municipaux (618 \$, en moyenne, soit 0,2 %).

Dans l'ensemble, en termes absolus, les frais imposés par les gouvernements sont plus élevés pour les maisons individuelles que pour tous les autres types de logements visés dans l'étude (c.-à-d. maisons jumelées, maisons en rangée et appartements). En termes relatifs, de manière générale, les maisons individuelles ont les frais imposés par les gouvernements les plus élevés en pourcentage du prix de vente. Toutefois, dans certains centres, ces frais étaient plus élevés en pourcentage du prix de vente pour les maisons jumelées ou les maisons en rangée que pour les maisons individuelles.

FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR LES MAISONS INDIVIDUELLES D'UN PRIX MÉDIAN

Trois municipalités de la C.-B. et deux municipalités de l'Ontario avaient les frais imposés par les gouvernements en termes absolus les plus élevés pour les maisons individuelles d'un prix médian, soit :

- Vancouver – 151 559 \$ (11,8 % du prix de vente de 1 288 137 \$);
- Toronto – 141 120 \$ (16,8 % du prix de vente de 842 743 \$);
- Surrey – 108 050 \$ (19 % du prix de vente de 567 207 \$);
- Vaughan – 98 713 \$ (18,9 % du prix de vente de 523 295 \$);
- Burnaby – 94 685 \$ (12,2 % du prix de vente de 775 481 \$).

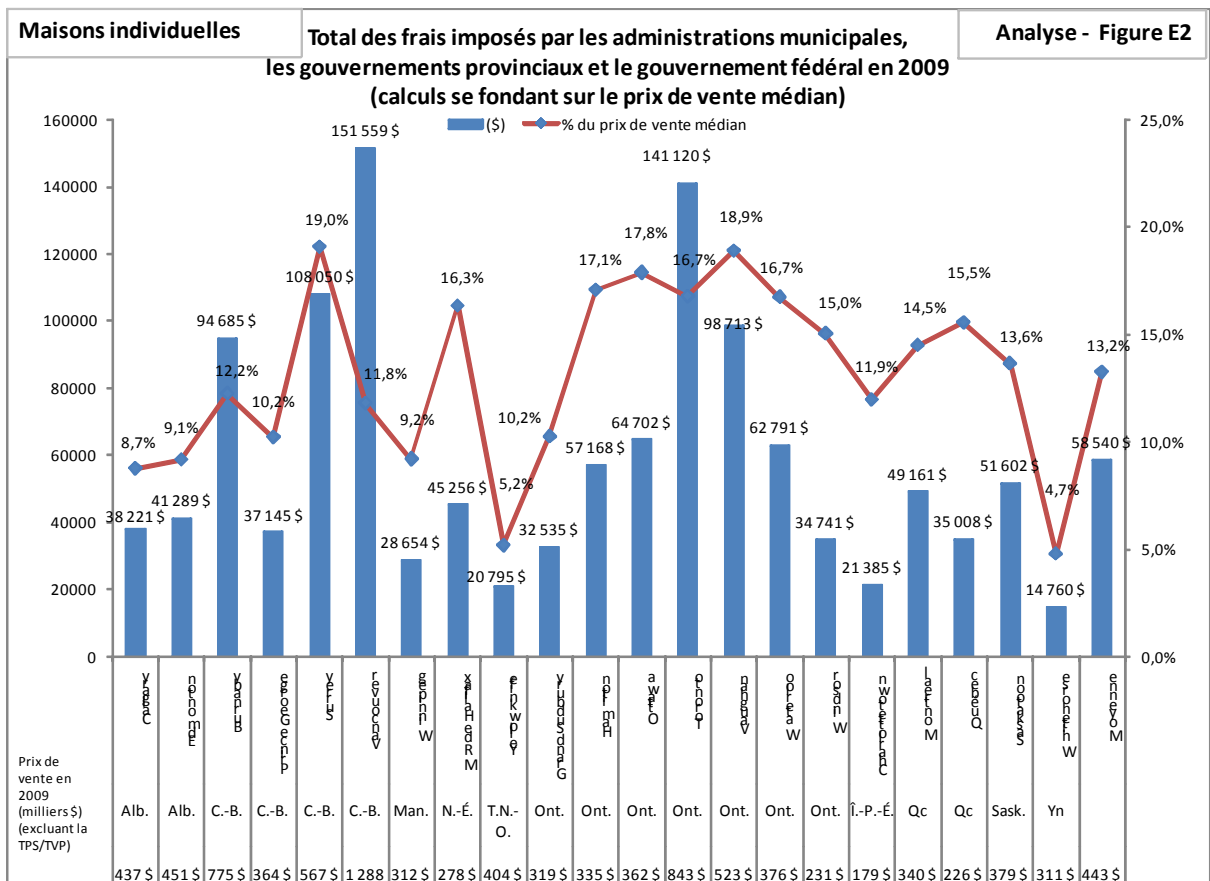
Les centres susmentionnés se sont également classés parmi les premiers pour la catégorie des logements d'un prix modique. En outre, la catégorie médiane des maisons individuelles avait le prix de vente le plus élevé dans ces municipalités.

- La moyenne (simple) du total des frais imposés par les gouvernements dans les 21 centres était de 58 540 \$ en 2009.
- Les frais imposés par les gouvernements dans les municipalités du Sud de l'Ontario représentaient entre 15 et 19 % du prix de vente d'un logement. À Surrey, ces frais de 19 %, soit le pourcentage le plus élevé constaté dans l'étude, représentaient un pourcentage bien plus élevé que dans les

autres municipalités de la C.-B., soit Prince George, Vancouver et Burnaby, où ils représentaient 10,2 %, 11,8 % et 12,2 %, respectivement.

- Les frais imposés par les gouvernements en termes absolus et en pourcentage du prix de vente étaient les plus faibles à Yellowknife et à Whitehorse.
- Même si, dans l'ensemble, les frais imposés par les gouvernements pour les logements d'un prix médian étaient supérieurs à ceux pour les logements d'un prix modique, et ce, principalement en raison de la TVP et de la TPS, l'étude a constaté que les frais imposés par les administrations municipales pour les logements d'un prix modique et médian étaient pratiquement les mêmes dans la même municipalité.

Figure E2 – Total estimatif des frais imposés par les gouvernements pour les maisons individuelles d'un prix de vente médian



TENDANCES DES FRAIS IMPOSÉS PAR LES GOUVERNEMENTS POUR UNE MAISON INDIVIDUELLE D'UN PRIX MÉDIAN DE 2006 À 2009

Durant la période de 2006 à 2009, les tendances des frais imposés par les gouvernements pour une maison individuelle d'un prix « médian » dans les municipalités étudiées étaient les suivantes :

- De manière comparative, en tenant compte de l'indexation des montants de 2006, la moyenne globale des frais imposés par les gouvernements pour une maison individuelle a grimpé de 47 622 \$ en 2006 (indexé à 2009) à 58 540 \$ en 2009, soit une augmentation de 23 %.

- Dans l'ensemble, le prix médian moyen d'une maison individuelle s'établissait à 378 926 \$ en 2006 (indexé à 2009)¹⁰, comparé à 443 000 \$ en 2009, soit une augmentation de 17 %.
- Ainsi, les frais imposés par les gouvernements ont augmenté plus rapidement que le prix des maisons durant la période de 2006 à 2009.
- En 2009, les frais imposés par les gouvernements représentaient en moyenne 13,2 % du prix, comparé à 12,6 % en 2006.

Les études précédentes ont toutes conclu que les frais imposés par les gouvernements ont une influence directe sur le coût total des logements. Cette 4^e étude arrive à la même conclusion. Comme les frais imposés par les gouvernements ont une influence directe sur le coût total des logements, à ce titre, ils influent également sur l'abordabilité.

⁹ L'indexation est abordée à la section 4 du rapport.

¹⁰ L'étude de 2006 a calculé les frais imposés par les gouvernements « pondérés » en se fondant sur les mises en chantier. L'étude de 2009 actuelle ne « pondère » pas les résultats. Par conséquent, pour pouvoir présenter un rapport sur les éléments « comparables » ou les tendances, les valeurs de 2006 n'ont pas été pondérées.



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1. INTRODUCTION AND BACKGROUND

IBI Group, a multi-disciplinary consulting firm, has been commissioned by the Canada Mortgage and Housing Corporation (CMHC) to examine 'government-imposed charges' (GICs), including levies, fees, and taxes, and their impact on new housing in Canada.

The objective of this initiative is to provide an update to a series of similar studies previously undertaken by CMHC (in 1996, 2002, and 2006), which have proven to be a useful tool for the Canadian housing industry in understanding the impact of GICs across municipalities and over time. Further, this study reports on trends in GICs since the 2006 study. Earlier studies found that GICs amount to a significant portion of the average price charged for new housing; 13.5% in the 1996 study, 13.6% in the 2002 study and 12.6% in the 2006 study. Each of the previous studies had variations in the methodology and scope; for further details please consult the earlier studies.

Government imposed costs are important to consumers and decision makers in government, industry, non-profit organizations as they affect both the cost and price, and ultimately the affordability of new housing.

The subject study (2009)¹¹ covers 21 centres across Canada and examines GICs applicable to four dwelling unit types: single-detached, semi-detached, row/townhouse, and condominium apartments. In some centres, certain dwelling types were not examined due to insufficient new housing construction activity in 2008. This report presents estimates of the various GICs associated with new dwelling units – for both 'median' (50th percentile) and 'modest' (20th-25th percentile) selling prices. Further, this report examines trends in GICs over the 2006 to 2009 timeframe based on the findings of the current study relative to the 2006 study.

It is important to note that the analysis is a 'snap shot' in time and utilizes GICs in place in 2009.

New to this present round of study is the inclusion of incentives provided by all levels of government for the construction and purchase of new housing. Further, municipal infrastructure charges were expanded to include public transport and/or environmental-related fees/contributions. Details of these changes are found in Section 3 of this report.

A summary of modest and median dwelling unit prices for 2006 and 2009 can be found in Appendix A.

1.1 Structure of the Report

This 2009 study examines 21 centres and generally covers the same GICs as the 2002 and 2006 studies with the addition of incentives and additional municipal infrastructure charges, as noted above.

The report is comprised of 4 sections. Section 1 provides an introduction and background including an overview of the structure of the report. Section 2 details the study scope and methodology used to gather and analyze data. Section 3 includes a description of the various GICs at the municipal, provincial and federal levels. The estimates of the 2009 GICs for new housing in 2009 are detailed for the modest and median single detached dwelling. Section 4 discusses trends relative to the 2006 report for the median single detached dwelling.

¹¹ More detailed information on the methodology is provided in Section 2 of this study.

The report focuses on the reporting and analysis of GICs; all tables, charts, graphs are contained in the appendices to the report. The appendices are as follows:

- Appendix A – Summary of Modest and Median Dwelling Unit Prices, 2006 and 2009
- Appendix B – 2009 GICs Study – Process Flowchart
- Appendix C – Examples of Survey Forms Used
- Appendix D – GICs – Profiles by Municipality
- Appendix E – 2009 GICs – Modest Dwelling Unit Prices
- Appendix F – 2009 GICs – Median Dwelling Unit Prices
- Appendix G – 2009 GICs – Analysis – Modest Dwelling Unit Prices
- Appendix H – 2009 GICs – Analysis – Median Dwelling Unit Prices
- Appendix I – Summary of Incentive Programs
- Appendix J – Estimate of Property Taxes
- Appendix K – Summary of Municipal Infrastructure Charges, Modest and Median House Prices by Centre and Dwelling Type
- Appendix L – 2006 and 2009 GICs Trend Analysis

2. STUDY METHOD

2.1 Summary of Past Studies (1996, 2001, 2006)

CMHC has previously commissioned three other studies in 1996, 2001, and 2006 to examine government imposed charges (GICs) on new housing. While the purpose and structure of these studies are relatively the same, the scope and study method differed somewhat across time.

The earliest study in 1996 looked at 26 municipalities across Canada and focused on single-detached dwelling units and row/townhouses sold at the 20-25th percentile of selling prices. This price point was termed “modest”, in comparison to other dwelling units of the same type sold in 1995. The type of GICs reviewed encompassed both GICs as well as transaction fees which were not imposed directly by government. These included: lawyer/notary fees, mortgage registry and insurance costs. Due to the significant variation found in the ‘typical’ modest home, the study introduced a *standard* single-detached house in an attempt to provide a more consistent basis of comparison by using the same house size of house and lot in all municipalities. The standard house comprised 1,200 sq ft in area and had a 35-foot lot. The analysis for the *standard* single detached house was limited to local municipal charges.

The second study conducted in 2002 expanded to 30 municipalities and added condominium apartments and rental apartments to the dwelling unit categories. However, the study eliminated the “standardized” dwelling unit, which was included in the 1996 study. All of the dwelling units studied sold at the 20-25th percentile of selling prices for all dwelling units within each category. Non-government imposed charges such as transaction fees were also eliminated from this study.

The third study in 2006 further expanded to 32 municipalities but it excluded rental apartments from the dwelling unit categories. It diverged from the previous studies in that “modest” priced units were not examined; instead, it looked at dwelling units priced at the “median” or 50 percentile of the selling prices. Due to this divergence, the authors of the 2006 study undertook additional analysis of the 2002 pricing and GICs data in order to carry out a trends analysis for median priced single-detached dwelling units. The GICs reviewed in 2006 were consistent with those examined in the 2002 study.

2.2 Comparison of Study Scope in the Four GICs Studies

2.2.1 COMPARISON OF DWELLING TYPES

Table 2.1 compares the scope of the four GICs studies in terms of dwelling unit categories and price points.

Table 2.1: Dwelling Type and Pricing Considerations in GIC Studies

| Study | Detached | Row House | Condo-Apt | Rental Apt | Semis |
|-------|--|-----------|-----------|------------|--------|
| 1996 | Modest Standard | Modest | | | |
| 2002 | Modest Median (50 percentile) calculated in 2006 | Modest | Modest | Modest | |
| 2006 | Median | Median | Median | | |
| 2009 | Modest | Modest | Modest | | Modest |
| | Median | Median | Median | | Median |

(Note: modest = 20-25th percentile; median = 50th percentile)

2.2.2 COMPARISON OF GICS REVIEWED

Table 2.2 summarizes the GICs examined over time and highlights GICs which are new in the 2009 study.

Table 2.2: Government Imposed Charges Examined Over Time: 1996, 2002, 2006 and 2009

| Government Imposed Charges | 1996 | 2002 | 2006 | 2009 |
|---|------|------|------|------|
| Infrastructure charges | X | X | X | X |
| <i>New Infrastructure charges</i> | | | | |
| • <i>Public transport, and/or</i> | | | | X |
| • <i>Environmental related fees/contributions</i> | | | | |
| Land dedications | X | X | X | X |
| Application fees | X | X | X | X |
| Permit fees | X | X | X | X |
| Home warranty fees | X | X | X | X |
| Land transfer taxes | X | X | X | X |
| Title registration fees | X | X | X | X |
| Survey fees | X | | | |
| Certificate fees | X | | | |
| Lawyer/notary fees | X | | | |
| Mortgage registry fees | X | | | |
| Mortgage insurance costs | X | | | |
| Provincial sales taxes | X | X | X | X |
| GST | X | X | X | X |
| Property taxes | X | X | X | X |
| Provincial other | | X | X | X |
| <i>Municipal incentives (new)</i> | | | | X |
| <i>Provincial incentives (new)</i> | | | | X |
| <i>Federal incentives (new)</i> | | | | X |

2.3 2009 Study Approach and Methodology

Appendix B depicts the 2009 study method in the form of a workplan or process flowchart. The GIC study is divided into four phases:

1. Establish Study Method;
2. Background Research / Contact List / Builder Survey / Discussions with Government Officials;
3. Data Verification / Analysis; and
4. Draft / Final Report

Details of the study method are further explained below.

2.3.1 RESEARCH PURPOSE

IBI Group developed the 2009 study method, which would allow for estimating and updating GICs from the previous studies. The study also examines trends in GICs from 2006 to 2009 and seeks to explain the changes over time. The present study method is predominantly based on the requirements from the CMHC's Request for Proposal (RFP) for this study, which mirrors the 2006 study method. This allows for comparison of GICs and the ability to make trends analysis over time, wherever possible.

2.3.2 SCOPE

The present study covers 21 centres and up to four dwelling types: single detached, semi-detached, row and apartment. Table 2.3 identifies the municipalities included in the study and the associated dwelling types. Where municipalities did not have sufficient housing starts in a particular housing category in 2008, no information on applicable GICs was collected and no analysis of GICs for that dwelling type was undertaken. It should be noted that new housing starts activity included greenfield development as well as infill/redevelopment.

Table 2.3: Centres and Dwelling Types Included

| Municipality | Single-Detached | Semi-Detached | Row/Townhouse | Condominium Apartment |
|---------------------|-----------------|---------------|---------------|-----------------------|
| Burnaby, BC | # | # | # | # |
| Prince George, BC | # | Not reviewed | Not reviewed | Not reviewed |
| Surrey, BC | # | Not reviewed | Not reviewed | Not reviewed |
| Vancouver, BC | # | # | # | # |
| Calgary, AB | # | # | # | # |
| Edmonton, AB | # | # | # | # |
| Saskatoon, SK | # | # | # | # |
| Winnipeg, MB | # | Not reviewed | # | # |
| Greater Sudbury, ON | # | Not reviewed | Not reviewed | Not reviewed |
| Hamilton, ON | # | Not reviewed | # | Not reviewed |
| Ottawa, ON | # | # | # | # |
| Toronto, ON | # | # | # | # |
| Vaughan, ON | # | Not reviewed | Not reviewed | Not reviewed |
| Waterloo, ON | # | Not reviewed | # | Not reviewed |
| Windsor, ON | # | Not reviewed | Not reviewed | Not reviewed |
| Montreal, QC | # | # | # | # |
| Quebec City, QC | # | # | # | # |
| Charlottetown, PE | # | Not reviewed | Not reviewed | Not reviewed |
| Halifax, NS | # | # | # | # |
| Whitehorse, YT | # | Not reviewed | Not reviewed | Not reviewed |
| Yellowknife, NT | # | Not reviewed | Not reviewed | Not reviewed |

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

2.3.3 GICS EXAMINED

The government imposed charges being examined in this study include a range of levies, fees, charges and taxes that are imposed by all levels of government in relation to development, sale, acquisition and ownership of housing. Government is defined as municipal, regional, provincial, and federal governments, crown corporations, as well as quasi-government or government-mandated organizations. Table 2.4 details the type of GICs examined in the present study.

The GICs are based on 2009 rates. New to this study in comparison with the previous studies are:

- Public transportation and/or environmental related fees/ contributions; and
- Municipal, Provincial and Federal Incentives for new home construction.

Table 2.4: GICs Included in Current Study

| GIC | Source | Description |
|------------------------------------|---|---|
| Infrastructure Charges | Municipal/Regional Government, Builders or Developers | <ul style="list-style-type: none"> • Hard (sewer, water, road) • Soft (parks, libraries, police, etc.) • Off-site infrastructure (either through agreements with municipality that require the payment of a share of costs or development charges) • Water & sewer connection fees • Engineering review fees • Public transport and/or environmental related fees/contributions |
| Land Dedications | Municipal/Regional Government, Builders or Developers | Land dedications and cash in lieu associated with Parkland. |
| Application Fees | Municipal/Regional Government | Subdivision application fees, condominium application fees, site plan approval, administration fees. |
| Permit Fees | Municipal/Regional Government | Building permit, plumbing, and mechanical or electrical permit fees. Boiler and elevator inspections fee for large buildings. |
| Home Warranty Fees | New Home Warranty Providers | New home warranty programs (both required and optional). |
| Land Transfer Taxes | Provincial & Territorial Government | |
| Title Registration Fees | Municipal, Provincial & Territorial Government | |
| Provincial Sales Taxes | Provincial Government | Provincial sales tax, harmonized sales tax on construction materials, on home sale. |
| GST | Federal Government | GST on house sale. |
| Property taxes | Municipal/Regional Government | Property taxes, garbage collection surcharges, police surcharges, fire surcharge, education surcharges, etc. |
| Provincial Other | Provincial Government | Provincial plumbing and electrical inspection fees, provincial engineering review fees, home warranty licensing fees. |
| Municipal Incentives (new) | Municipal Government | Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the municipal/regional government. |
| Provincial Incentives (new) | Provincial & Territorial Government | Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the provincial / territorial government. |
| Federal Incentives (new) | Federal Government | Any form of waiver, rebate, tax incentive, subsidy or payment transferred to the builder or purchaser from the federal government. |

2.3.4 GICS AND CHARGES EXCLUDED FROM THE STUDY

Table 2.5 identifies the charges which have been excluded from the scope of the present study. This is done in order to maintain consistency with the previous GICs studies.

Table 2.5: GICs Excluded from Current Study

| Charges | Description |
|--|---|
| Development Process | Length of time for approval process, e.g. zoning, public consultation, community plan, taxes incurred during land development. Assume application is for straight-forward development and land is properly zoned for residential development. |
| Extraneous Building & Land Requirements | Standards beyond building codes, energy efficient or sustainable development standards, LEED certification, buffers and environmental remediation/assessment. |
| Other Fees | Deposits, letters of credit, front-ending ¹² of services by developers. |
| Transaction Fees | Fees to lawyers, notaries or lenders. |

Further, because the study focuses on 2009 GICs, some important changes to taxes and fees coming on stream in 2010 were not captured. A key example is the impending harmonization sales tax (HST) for Ontario and British Columbia which will result in services being subject to a provincial sales tax that previously did not apply.

2.3.5 ADDITIONAL CHARGES NOT CAPTURED BY STUDY

The information presented in this section provides examples of additional charges beyond those reported in this study. This is not a comprehensive reporting of additional charges but rather specific charges which IBI Group is aware of through other projects.

2.3.5.1 Greater Toronto Area Municipalities

The following are examples of charges that are payable in some GTA municipalities. The municipalities imposing these charges do not include any of the municipalities under study.

Capital Provision/Voluntary Contribution and Cash Flow Assistance

In the GTA, there are two emerging trends with regard to the funding of growth related infrastructure including: (i) capital provision (also known as voluntary contribution), and (ii) cash flow assistance.

With respect to capital provision, some municipalities argue that the current *Development Charges Act* (DCA) has reduced their ability to recoup growth-related capital costs. This inability is primarily the result of:

- Ineligible services and capital items including cultural or entertainment facilities, facilities for general municipal administration, computer equipment and rolling stock with an average life of less than seven years and parkland acquisition.
- The mandatory 10% reduction dictated by the DCA for certain services such as parkland development, recreation, libraries and transit.

¹² Front ending refers to the circumstance where a developer pays for/installs infrastructure 'upfront', on the understanding that s/he will be reimbursed by other benefitting landowners/developers or the municipality at some future time. Details are typically outlined in a front ending agreement.

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- The ceiling imposed based on the historic 10 year average service standards; and
- The statutory exemptions related to housing intensification, local government and industrial expansions.

Generally, municipalities in Ontario, particularly those in and around the Greater Toronto Area where there has been rapid growth, have adopted a policy that 'growth pays for growth' rather than having existing taxpayers fund growth related capital (notwithstanding the fact that existing taxpayers may benefit from upgraded or more efficient infrastructure delivered through growth).

Where municipalities have felt burdened by the inability to provide the shortfall in the growth related capital or they want to ensure that they have sufficient financial resources to deliver the infrastructure required to service growth they have used three vehicles to assist them:

- **General Capital Provision:** A per unit payment to the municipality at subdivision agreement registration to help finance infrastructure required but not recovered under the Development Charges legislation. This is intended to lessen the impact on property taxes and assist in keeping debt capacity within policy limits. Where this has been put into practice the charges are on the order of \$1,500 to \$2,000 per unit.
- **Parkland Capital Contribution:** A mechanism has been set up to accommodate an over contribution related to parkland. Where this has been used the contribution is on the order of \$350 per unit.
- **Cash Flow Assistance:** Despite payment of development charges and the capital provision, the municipality has determined that it will not be in a financial position to afford the required infrastructure for the proposed phases of development within the planning horizon. Construction of road works has been a particular area of concern. Without the proposed cash flow assistance, the Town would not have available sources of financing, forcing the Town's debt capacity above policy limits. A cash flow analysis is carried out by the municipality to determine any shortfalls. Through discussions, landowners/builders agree to this "front ending agreement". The quantum is secured at the subdivision agreement stage by letters of credit. The cash flow assistance quantum is also indexed on an annual basis, similar to the DC. The agreement also sets out arrangements for annually reviewing the cash flow model and then updating the security requirements. There is also a mechanism for gradually reducing the security and paying back the landowners. This approach essentially utilizes the landowners/builders as a 'bank' and in theory they will be paid back over time. Where this mechanism has been used the payment is on the order of \$2,500 to \$2,700 per unit.

As well, additional development-related charges are imposed by some upper tier municipalities (regional government) in the Greater Toronto Area; the municipalities utilize the *Municipal Act, 2001* to impose these charges. These municipal contributions are for cashflow payments and non-residential non-recoverable amounts and are required to provide sufficient financing for water, wastewater and transportation infrastructure. These payments are on the order of \$8,000 per unit. Further, these payments are phased such that some is provided through a letter of credit up front with the remaining amounts owing at the earlier of subdivision agreement or building permit.

Transit

In the Toronto area, some municipalities are investigating mechanisms to encourage transit use through new development.

The City of Toronto has imposed a transit related provision to new condominium developments with more than 20 units; the charge is to be secured as a condition of condominium approval. Known as the Metropass Program, the requirement is the provision of one adult transit pass per unit for one year; currently an adult transit pass is \$121 monthly. Thus for a 200 unit condominium building the provision of transit passes would result in an additional cost of \$290,400. Toronto City Council adopted this policy in late 2009 and was applied to development applications received commencing April 28, 2010.

In one suburban municipality of the GTA, there exists a similar program review, which would impose additional charges on new development due to planning objectives to increase transit use and reduce auto dependency. The program review examines a range of options including: the provision of transit passes or the provision of shuttle bus service or the coverage of residual operating costs not covered by fare revenue. Any of the aforementioned are intended to be covered by developers/builders at the subdivision agreement stage. These provisions are not in place today but are being given serious consideration.

2.3.5.2 Approaches to the Funding/Delivery of Infrastructure

The research has revealed that there are various approaches to the funding and/or delivery of infrastructure.

Generally, but not universally, a municipality installs the infrastructure and recoups the cost through charges such as development charges. In some instances such charges are municipal wide or alternatively area specific. In other instances a local improvement charge is imposed to recoup costs.

Alternatively, there are circumstances where specific developers fund infrastructure required to service their specific development proposal. In some cases, this funding would represent an initial outlay or 'front ending' and portions of these costs would be paid back through credits or reimbursements from other benefiting land owners. Municipalities without structured development charges or infrastructure charges may rely on these measures more frequently. The approach taken to examine these types of developer costs is consistent to the approach for all GICs; they would be included in the study if it was felt that they were typical, assessed on the basis if they were applicable more than 50% of the time. The nature of these charges is that they tend to be situation specific, and usually one-off arrangements.

The funding of off-site hard service infrastructure in the Province of Quebec is particularly difficult to capture in the "snap-shot" approach that focuses on typical units in typical development. Where off-site improvements are required to support a particular development, the benefiting developer is expected to contribute their share of the costs to the municipality, and the municipality then funds the remaining costs. The municipality then applies an area specific property surtax to the benefiting area to recoup the investment over time. As a result, there is no typical infrastructure charge, as some builders are making an initial outlay, and for others there is no charge to the builder or fee to the home buyer at time of purchase. The charts and tables that show no infrastructure charges in the Province of Quebec should not be read to indicate that there are no costs to the home builder/buyer.

2.3.6 METHODOLOGY AND DATA COLLECTION

The calculation of GICs is based on applying government imposed fees and taxes on the development and construction of new housing. To this end, the GIC rates and the way they are administered must be identified. Further, the housing and land characteristics must be clearly defined in order to apply the GICs for estimating costs. Both primary and secondary data was collected as input to the calculation of GICs. For the purpose of this study primary data refers to information collected from CMHC, builder surveys and municipal sources. Secondary data refers to

information that was not directly sourced, but where a third party has collected data and made it available for review.

The two primary sets of data collected were dwelling characteristics and GIC rates.

2.3.6.1 Dwelling Characteristics Data

The dwelling characteristics to be considered are complex and are summarized in Table 2.6.

Table 2.6: Data Sources

| Dwelling Characteristics | Source | Description |
|---|---|--|
| Selling Prices (modest and median) | CMHC | Fixed variable based on average of 20-25 th percentile of the selling prices (modest) and 50 th percentile of selling prices (median), for all houses in each dwelling category sold in 2009 for each municipality. |
| Dwelling Characteristics (Dwelling size, lot frontage, land value, construction costs, material costs) | Builders & Developers; Government Officials | Based on the selling prices as set by CMHC for both modest and median homes, builders/developers are asked in a survey to define the housing characteristics (a copy of the survey instrument is provided in Appendix C. Since land value is tied to parkland dedication, government officials were also asked to estimate land values based on 2009 transactions. |
| Trades Work (Electrical, plumbing, gas, and mechanical work; boiler and elevator in large buildings) | IBI Group | Assumptions on the installation costs as well as the required capacity, number of fixtures and outlets are based on industry knowledge of our engineers within the firm. This information was augmented by industry sources ¹³ . |
| Larger subdivision or housing project characteristics (land size, building size) | IBI Group, based on past studies; Builders & Developers | Assumptions on the larger development in which the dwelling units were located (i.e., subdivisions) are based on the same assumptions applied in the previous GICs studies. We surveyed builders/developers to test out whether some of those assumptions are still valid since the 2006 study. |

A major undertaking for the collection of dwelling characteristics was the surveying of local builders and developers to determine variables such as dwelling size, lot frontage, land value, construction costs, material costs etc. Local home builder associations were asked to provide builder/ developer contacts based on the most active members within each of the dwelling categories in each municipality. Builders/developers were contacted directly via telephone and/or e-mail to request their participation in the survey. Participants were then sent a copy of the survey. A total of 300 builder/developers across Canada were contacted. Up to six e-mail reminders were sent to builders who had not responded to the information request within the allotted time. Additionally, IBI Group undertook to contact participants via telephone. A total of 104 builders/developers participated in the survey. A copy of the survey instrument is provided in Appendix C.

For the 2009 study, as was the case in 2002 and 2006, sale price data for dwelling types in each municipality were supplied to the project team by CMHC for the purpose of helping survey respondents determine the appropriate dwelling characteristics for each price point under investigation (i.e. modest and/or median). Prices for the modest and median price categories of each dwelling type were determined by selecting prices at the 25th and 50th percentile for all dwellings of that type sold in that centre in 2009. (Note: Source of pricing data - CMHC Market Absorption Survey).

¹³ Including Altus Group - *Construction Cost Guide 2009*; Balboni, Barbara (Ed.). (2006). *Square Foot Costs: 2007*. Kingston, Massachusetts: RS Means Construction Publishers & Consultants; and Mewis, Robert (Ed.). (2010). *Hanscomb Yardsticks for Costing: Cost Data for the Canadian Construction Industry 2010*. Markham Ontario: Reed Construction Data/Canada.

2.3.6.2 GIC Data

The collection of GIC rates comprised the following tasks:

- Most municipal government imposed costs were available through municipal websites. Relevant data were obtained from municipal websites; wherever information was unclear or missing, IBI Group contacted municipal government officials (typically either in the planning or building departments of the municipality) directly for additional information or clarification. Questions about the way fees and taxes are administered were also verified with government officials. Information was provided by officials from planning, finance, building and public works departments.
- Provincial and territorial government officials provided information about land transfer fees and other fees. Typically this information was obtained via provincial websites and confirmed via telephone with provincial officials.
- New home warranty information was generally collected via websites and/or via telephone with home warranty providers.
- Municipal internet sites were utilized to obtain information on property taxes.

Secondary data was used for the validation of the primary data. The sources of secondary data included: academic research journal articles and industry publications, previously noted . Building permit information and listings from the consumer-facing Multiple Listing System (MLS) provided by the Canadian Real Estate Association were also used to collect and verify certain primary data.

Detailed discussion on the assumptions applied to the housing characteristics and the application of GICs is found in the next section.

2.3.7 ASSUMPTIONS

A national study of this nature has the challenge of balancing comparability across the country while maintaining meaningful insights at the local/regional level. Many of the challenges occurred during the data collection and analysis phases.

In order to calculate GICs and ensure comparability of GICs across municipalities, certain assumptions about the land development and housing construction had to be made. In the application of assumptions, some variables were standardized across municipalities and across dwelling types. In some cases, the assumptions were applied only to the particular municipality because of the unique way in which the GICs were administered in that centre. The following table highlights the major assumptions applied in this study.

Table 2.7: Summary of Assumptions

| Variables | Assumptions |
|--|---|
| Stages of Housing Development | <p>GICs are estimated from the development stage of draft approval to occupancy. Consistent with previous studies, this study assumes that the land is designated and zoned properly for the intended residential development and the development application is straightforward without appeals or re-inspections.</p> <p>GICs that are paid during the approval process (i.e., in circumstances where a change to the land use or zoning is required) are not included in the study.</p> <p>These fees would include application and review fees. The size and nature of these fees will vary by jurisdiction and according to the nature of the project.</p> <p>Also excluded would be fees or financial contributions that are paid as a Condition of Zoning Approval. An example would be Section 37 contributions in the Province of Ontario. The City of Toronto looked at 195 projects where Section 37 provision were applied (between 1998 and 2006) and found that the total contribution was \$68 million which equals about \$350,000 per project.</p> |
| Land Development | <p>The study assumes that there are no GIC fees associated with site preparation. For example, some sites may require the demolition of existing structure, or soil remediation. This is particularly relevant for centres where infill development or brownfield is typical. For simplicity, fees associated with these activities are excluded from the study.</p> |
| Typical Application | <p>Only fees or charges that applied in a typical development are included. This means that only the charges/fees that are considered "typical" or common to the majority of residential applications are reviewed. Alternatively, it also means fees that are applicable to 50% or more of the general applications.</p> |
| Land Dedication | <p>Land dedication only relates to parkland dedication, not roads or lanes, buffers, or environmentally sensitive areas - unless the provincial or municipal jurisdiction defines parkland dedication as net of these areas.</p> |
| Subdivision for Single-detached and Semi-detached dwellings | <p>Assumed 220 front feet per one acre subdivision. <i>(This means that in a typical subdivision, there will be 220 feet of saleable frontage per acre. Given a typical frontage for a house the number of homes per acre can be calculated. For example if homes have a 40 foot frontage, there will be 5.5 homes per acre.)</i></p> <p>Single detached and semi detached dwelling units were assuming to be in a subdivision of 40 units of identical homes. <i>(The number of lots in a subdivision impacts primarily development approval fees.)</i> This is consistent with previous GIC studies.</p> |
| Row/Townhouse Dwelling Unit | <p>Assumed a row or townhouse development comprised 40 units. This assists in calculating development approval fees. This is consistent with previous GIC studies.</p> |
| Apartment Dwelling Unit | <p>In order to be consistent with previous GICs studies, the following was assumed:</p> <ul style="list-style-type: none"> • For larger municipalities such as Toronto, Vancouver, an apartment is within a building that is 10 storeys high with a total of 100 units. • For all other municipalities, the building is assumed to be 4 storeys high with a total of 40 units. • The buildings have an equal mix of one and two bedroom units. <p>This is consistent with previous GIC studies.</p> |
| Garages | <p>Each dwelling unit included either a garage or parking space.</p> |
| Land Value | <p>Consistent with previous studies, land value in this study is exclusively reflective of parkland dedication. The values vary across municipalities. Information was obtained from survey data and discussions with appraisers/city staff who deal with parkland dedication. In most cases, city staff were asked to define the land dedicated for municipal reserve/parks (serviced/unserved, market value/highest & best use, assumed land use/stage of development). Following this, municipal staff were asked to provide the estimated average land value for calculating parkland dedication.</p> <p>This method for determining the monetary value of parkland dedication differs from the 2006 study where they estimated the value of the subdivided land surrendered, less any development charges & costs associated with servicing the land. The approach used in the current study was focused on determining the cash-in-lieu charge that would apply.</p> |
| Engineering Cost for internal site servicing (infrastructure) | <p>These costs include: underground storm, sewer, water, hydro, earthworks, curbs, asphalt roadways and sidewalks. The costs are based on input from IBI Group engineers (where present in the various municipalities) and augmented by Altus Group's Construction Cost Guide. Costs vary by region.</p> |
| Construction Cost (labour and material) | <p>A combination of survey data, the Altus Group's Construction Guide, and conversations with local builders.</p> |
| Material Cost | <p>In some municipalities, Provincial Sales Tax only applies to material costs. Based on survey data and input from local builders, the material costs comprise 60% of the construction costs. (The residual 40% comprise labour costs.)</p> |
| Trades Cost (electrical, gas, HVAC, mechanical, and plumbing work; boilers & elevators) | <p>Assumptions on the installation costs as well as the required capacity, number of fixtures and outlets are based on industry knowledge of IBI Group engineers. It is assumed that the larger centres such as Toronto and Vancouver would have higher material costs.</p> |

2.3.8 RELIABILITY AND VALIDITY

While every effort was made to ensure data reliability and validity, it is not possible to guarantee the accuracy of the estimated GICs primarily due to the fact that a range of assumptions are made as outlined above. For accurate application and rates of GICs in any given location, readers should contact government officials directly.

Similarly, even though great effort was undertaken to collect survey data from local builders and developers to define the housing characteristics, the resulting responses were not statistically significant. Based on 192 returned surveys¹⁴ and 106 different typologies (dwelling type & prices), or approximately 2 surveys per dwelling typology. Reasons for the low response rate include:

1. It was not always possible to obtain cooperation from local home builders/developers to participate/engage in the survey. This is likely attributed to the sensitivity of some of the information requested.
2. It was often difficult to match the builder/developer to the housing product sold at the selling price as determined by CMHC, even with the assistance of the local home builders association. This may have contributed to the low response rate.
3. The builders/developers may not have had representation in the housing market during the prescribed timeframe and/or in the identified centre.

Additionally, upon reviewing the data collected from builders/developers and applying the various GICs, anomalies were identified which required further investigation in order to understand the outcome. For example, in the case of municipal GICs some survey results revealed larger lot frontages and house sizes for modest priced single detached dwellings compared to median priced single detached dwellings in the same municipality. While this outcome is entirely possible¹⁵, it was counter-intuitive to our expectations. Alternatively, the outcome may arise because of inaccurate survey responses.

Where information was not obtainable from the local builders/developers, municipal government officials were contacted, as well as other sources, such as local/regional census offices and local real estate companies to obtain dwelling characteristics.

As mentioned in the previous section on data collection, secondary data sources were used to verify primary data. These sources include: academic research journal articles and industry publications (previously noted). IBI Group also took advantage of its national network of planners/analysts to better understand the local context of the housing industry and to clarify how GICs are used to finance growth. The local home builder associations were also helpful for data verification and additional data.

While most GICs posted on municipal websites are straight-forward, sometimes interpretation is required in determining the way charges or fees are administered. In these circumstances, IBI Group contacted local municipal staff for assistance. It is possible that different staff may have different interpretations of the administration of the GICs based on his/her experience.

¹⁴ As indicated earlier in this report, some 300 builders/developers were contacted and 104 participated in the survey. Of the 104 builders/developers who participated in the survey some provided responses for more than one dwelling type and/or more than one centre.

¹⁵ For example, in a given municipality it would be possible that the builder/developers surveyed had built housing in considerably different locations thus resulting in different housing characteristics. As illustration, a modest priced house might be located in a typical 'suburban' area whereas the median priced house might be located on an infill site in a more 'urban' or 'downtown' area.

2.3.9 LIMITATIONS

The study is limited in its scope in that it only includes the typical GICs related to the development phases from “draft approved” application to “occupancy”. This assumes that the land is appropriately zoned for the intended residential development and that site preparation is not required. These assumptions eliminate a significant portion of the cost borne by builders/developers in development permit fees, land taxes, as well as public consultation and other fees. Further, other government imposed charges outside the scope of the study, i.e., ‘voluntary’¹⁶ contribution in Ontario, also contribute to the overall costs of new housing, but these are not captured in this study, as noted. This is consistent with the previous studies.

Acknowledging that the GICs included in this study do not cover the full spectrum of GICs indicates that the study is not comprehensive in its inputs and the resultant analysis. Regardless, it provides an order of magnitude for GICs to allow for comparisons across the country which is helpful to policy and decision-makers at all levels of government and in the private sector.

Nation-wide research of this nature has its benefits and drawbacks. The ability to make comparisons in GICs across Canada is a valuable exercise. However, the process of standardizing the research method and the calculation of GICs in order to make national comparisons inherently risks losing the local/regional flavours of the GICs. The local context of city planning and housing markets are vital to the analysis of local GICs, but the study could not probe deeper due to the limits of its scope and budget.

As an example, Provincial Sales Tax, a key component of Provincial GICs is highly variable due to (1) the different rates applied, and (2) the application of the rate. In terms of rates, PST varies from a low of 0%¹⁷ to a high of 10.5% in PEI. In terms of the application, PST is either applied to the cost of building material or the sale price of the home or the sale price of the home plus GST. Thus, when examined in greater detail, the PST in the context of this study is complex and not really ‘comparable’.

While comparability of GICs between centres reveals both similarities and differences, the outcome is a complex one.

The GICs themselves are also very different: municipal GICs generally tend to reflect cost recovery for services provided whereas provincial and federal GICs tend to be ‘taxes’ levied against housing without a specific purpose or application other than to contribute generally to the functioning of higher levels of government.

2.3.10 DATA ANALYSIS

Data analysis was performed for the 2009 GICs to compare the relationship between GICs and the selling price of homes for municipalities across the Country. The study examined the GICs by the major categories: infrastructure charges, development and processing fees, building permit fees, provincial and federal taxes, home warranty fees and registry or transfer taxes. The GICs were further grouped by municipal, provincial, and federal charges.

For trends analysis, GIC changes from 2006 to 2009 were examined. The GICs were examined by absolute dollars and by percentage change. The proportion of change by the selling price was also examined, as well as the weighted average GICs between the two studies. An attempt to maintain consistency in the assumptions and methods was made, in order to make comparisons across the two periods.

¹⁶ While such charges are called ‘voluntary’ they are in fact imposed. If a builder/developer chooses not to pay such ‘voluntary’ charges, development will not proceed.

¹⁷ In Alberta and the Territories, there is no PST.

3. ANALYSIS

3.1 Description of GICs

The GIC profile of the 21 municipalities included in this study are summarized in Appendix D. The summary of 2009 GICs for all housing types in the modest price range are found in Appendix E; 2009 GICs for the median price range are found in Appendix F. The analysis of the 2009 GIC estimates for modest priced homes is found in Appendix G with Appendix H providing the analysis for the median price range.

3.1.1 INFRASTRUCTURE CHARGE

Infrastructure-related GICs are assessed against developers or builders for the cost of the infrastructure that are required for their development. However, the nomenclature of the GICs varies between municipalities, as does the method by which they are assessed.

It should be noted that usually development or infrastructure charges are for services outside a subdivision. Infrastructure requirements internal to a subdivision are typically the responsibility of the developer. Consistent with previous reports, internal infrastructure charges were not included in the study, irrespective of who is paying for the services.

The bulk of this GIC is made up of Development Charges or other forms of one time levies that are used to help finance growth-related capital costs relating to new development. Sometimes they are applicable to redevelopment where expanded capacity is required for the new growth. Infrastructure includes hard services such as water and sewer systems, and arterial roads. Some jurisdictions include soft services as part of the infrastructure charge: police and fire protection, libraries, parks and recreational facilities and other. Typically, the municipality will construct the infrastructure and then recover the costs through development charges or a similar mechanism.

Sometimes the fees are assessed on a unit basis, while in other cases they are assessed on an area basis.

Some municipalities have charges that are levied consistently across the municipality, while other impose all or a portion of these charges on an area specific basis. The idea of an area-specific charge is that all units built within a certain area pay for the infrastructure services associated with that area. Usually area specific charges relate to hard infrastructure.

In the Province of Quebec, in some instances developers are responsible for funding their share of off-site infrastructure required for their development. For example, where there is a need to extend a sanitary sewer to a new area, a developer would be required to cost-share. If it is estimated that the homes to be built by the developer constitute 30% of the capacity, the developer will pay 30% of the cost of the sanitary sewer. Any remaining costs are generally paid by the municipality, which establishes an area specific property surtax to recapture the investment over time (similar to an improvement tax). Because these 'infrastructure charges' are established on a case by case basis, there is no typical charge and no significant infrastructure charge is recorded in our analysis for Quebec City or Montreal.

3.1.2 LAND DEDICATIONS

As part of the development process, developers are required to dedicate land (typically 5 – 10%) for the purpose of public parkland. In some cases, land is not provided and the dedication is made in the form of a cash contribution. For the purpose of this study, the land dedication figures are exclusively tied to parkland dedication.

3.1.3 DEVELOPMENT APPLICATION PROCESSING FEES

Fees are collected by municipalities and other approval authorities for reviewing and approving development applications. As was the practice in the three previous studies, these charges are based on fees required to review applications assuming land use and zoning permissions are already in place. In some jurisdictions it is worthwhile noting that there are initiatives to have planning processing fees that achieve full cost recovery. Thus, going forward these fees are likely to increase.

3.1.4 HOME WARRANTY

Three provinces have mandatory Home Warranty requirements: Ontario, Quebec and British Columbia. Ontario and Quebec have single providers, while homebuilders in British Columbia have the option to purchase from a number of providers.

In the other provinces the purchase of a New Home Warranty is optional. The Atlantic Provinces have a single insurer known as the Atlantic New Home Warranty. In Alberta, Manitoba and Saskatchewan, firms are able to purchase their insurance from a number of providers. The practice in the three previous studies was to include fees for each jurisdiction even if participation in a program was voluntary or optional. This approach was continued in this survey. In the Northwest Territories and Yukon, there are no New Home Warranty plans available and so no fee has been assigned for this category.

The warranty providers generally offer rate cards that outline the fee charges by house type. In other jurisdictions warranty providers provide quotes to builders based on a number of factors, with the reputation of the builder being a critical factor. This is especially true of condominium units where the per-unit fee charged to a builder may differ by thousands of dollars.

3.1.5 LAND TRANSFER TAX

Land transfer taxes are payable in a number of the Provinces. Most provinces have a fee that steps up based on the selling price of the house, with increasing rates being charged for amounts beyond certain thresholds. These Provinces include BC (1 - 2%), Manitoba (0- 2%), Ontario (0.5% to 2%), and Quebec (0.5% to 1.5%)

In Halifax there is a 1.5% Land Transfer Tax that is collected by the Province, but paid to the municipality.

The City of Toronto recently (Feb 1, 2008) implemented a Municipal Land Transfer Tax. This tax is imposed on any home sale be it new or resale. The rate ranges between 0.5% and 2.0% of the purchase price of the home. This represents a doubling of the existing land transfer tax as it matches the amount collected by the Province.

3.1.6 TITLE REGISTRATION FEE

In all of the Provinces and the Northwest Territories there is a Title Registration that is payable to the Province or a Provincial agency. In many municipalities there is a flat fee, while others charge a fixed fee plus an additional fee related to the house selling price.

3.1.7 PROVINCIAL SALES TAX

The application of Sales Taxes varies by municipality. In a number of Provinces, sales taxes are paid on the material used in new home construction. The tax rates in these municipalities from highest to lowest are PEI – 10%, Ontario – 8%, Manitoba and BC – 7%, and Saskatchewan 5%.

In Quebec, there is a 7.5% sales tax (QST) that applies to the selling price of the home. The tax is payable on the selling price including GST. For homes under \$200,000 a rebate applies and the effective tax rate is 4.8%. Above \$225,000 there is no rebate and the full 7.5% sales tax is applicable¹⁸. Builders pay QST on materials used for construction, but these are accounted for as input credits, with the builder subtracting this amount from the QST paid by the purchaser, with the difference being remitted to the Province.

Nova Scotia (as well as two provinces not part of this year's study – Newfoundland and Labrador and New Brunswick) have harmonized their taxes with the GST, and the amounts are payable on the selling price of a new home. The provincial portion of the HST in Halifax is 8%; similar to Quebec, the HST paid on building materials is credited against the HST applicable on the selling price.

The Territories and Alberta do not impose PST.

3.1.8 OTHER PROVINCIAL FEES

In some municipalities, inspection and review fees related to electrical and plumbing are paid to provincial agencies.

In Ontario, the Ministry of Environment charges a fee for reviewing municipal infrastructure related to water supply or sewage systems and then issues a Certificate of Approval¹⁹.

3.1.9 GOODS AND SERVICES TAX

The goods and services tax (GST) applies to the supply of most goods and services in Canada. The GST is payable on all new dwellings. The rate of GST applicable for 2009 was 5%, which represents a reduction from the 6% that was payable in the previous 2006 Study.

The effective GST rate is impacted by rebates that are available on homes priced below \$450,000. For homes below \$350,000 a 36% rebate applies, resulting in a lower effective GST rate of 3.2%. As home prices approach \$450,000 the rebate decreases to zero.

Nova Scotia, New Brunswick, and Newfoundland and Labrador harmonized their provincial sales tax (PST) with the GST to create the harmonized sales tax (HST). The HST applies to the same base of taxable goods and services as the GST. GST/HST is charged on the selling price of new homes. Halifax is the only municipality in the 2009 survey that is subject to the HST. The Federal portion of the HST is shown as the GST in the summary tables.

GST that is paid by builders on construction for a new home is counted as an input credit at the end of the process.

3.1.10 MUNICIPAL INCENTIVES

During the research phase, the respective municipalities were examined to identify Incentive Programs that should be considered in understanding GICs. Across the municipalities included in the study there was a wide range of programs that provide some sort of incentive related to housing. A summary of municipal incentives are provided in Appendix I.

¹⁸ The amount of the rebate is progressively reduced where the purchase price is more than \$200,000 and less than \$225,000 for QST purposes. Given that the median and modest prices in Quebec were either well below or above these benchmarks, the specifics of the rebate were not identified for the aforementioned house price range.

¹⁹ In some cases in Ontario, a municipality may undertake this work based on a fee schedule from the Province. Thus, in some instances this charge may appear to be a municipal fee rather than a provincial fee.

Many of the programs related to affordability, with the majority of these focused on Rental Housing. Others provided for reductions in certain fees and charges for building certain forms of housing (for example rental housing) in certain locations (for example brownfield sites or downtown). Other programs provided incentives to restore heritage properties for housing, or to building new housing with enhanced environmental standards. In some cases these programs are available to all that meet the criteria, in others the incentives would be available on a case by case basis.

All of these programs can be described as targeted incentive programs in that they have been developed to encourage housing of a certain form, in a certain location, or with certain attributes. For the purposes of this study it is not appropriate to include these incentives as a credit against the municipal GICs as they do not in each case meet the test of being available for a Typical home.

Other incentives are difficult to quantify monetarily. These might include fast-tracked application process or reduced development standards for certain project types. Some municipalities have programs that direct surplus lands to affordable or non-profit housing projects. Even if these programs were generally available, it would be difficult to include them in our analysis.

The non-inclusion of these charges is in no way intended to diminish the value or significance of these incentives. These incentives are designed to encourage housing projects that are seen as having specific benefits to the local community.

It is also important to recognize that municipalities may be providing more generalized incentives through the GICs they administer. For example, during 2009 when the economic downturn was having a significant impact on housing some municipalities in south central Ontario adopted reduced development charges as incentive to the building industry. The review of development charge bylaws in Ontario are to occur, at a minimum, every 5 years. The 5 year cycle generally occurred in the 2008/2009 timeframe. During the most recent review, some municipalities reduced development charges to encourage continued home building. In setting rates, municipalities may be taking into consideration the creation of incentives for certain housing forms.

3.1.11 PROVINCIAL INCENTIVES

Overall, there are relatively more incentives for newly built homes at the Provincial level than any other level. Generally, the Provincial incentives tend to be tied to energy efficiency. The following is a brief overview of key incentives that were identified; additional information is provided in Appendix I.

- Alberta provides the *Government of Alberta New Home Rebate* which is available to all Albertans who take possession of a new EnerGuide-labeled detached or semi-detached home. The rebate of up to \$10,000 takes effect on or after January 1, 2009.
- Saskatchewan provides rebates to new homes through the *Energy Efficiency Rebate for New Homes*; homes built after April 1, 2007 are eligible. The program is delivered by SaskEnergy on behalf of the Provincial Ministry of the Environment. Eligibility requirements focus on a newly constructed energy efficient home that is either (1) Energy Star qualified, (2) R-2000 certified, or (3) has an EnerGuide for New Homes rating of 80 or more. Rebates range from a low of \$100 to a high of \$3,500; in some cases rebates may be combined.
- Manitoba delivers the *Manitoba R-2000 Program* for all new R-2000 homes built in Manitoba. The incentive is a voucher redeemable to up to \$1000 towards the purchase of an EnergyStar front-loading washer or a \$600 credit applied on the homeowner's electrical bill.

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

- In Ontario there are no incentives provided for newly built homes. Incentives that exist in Ontario relate to a refund of the portion of the land transfer tax for new home buyers (where the home may be a new build or a resale).
- The Province of Quebec provides for a rebate of a portion of the Provincial Sales Taxes associated with a new home purchase. The top rebate is equal to approximately 36% of the PST, and is reduced for homes with higher selling prices. Because this incentive is potentially applicable to all new home purchases, it was included in this study of GICs.
- *New Brunswick offers 2 programs through Efficiency New Brunswick. The New Homes Program applies to first owners of new detached, semi-detached or row houses and requires that an energy evaluation be arranged within 6 months of occupancy. The potential grant ranges from \$1,000 to \$3,000. The New Multi Unit Residential Buildings Program is directed to developers of new apartment buildings and requires an energy evaluation before construction commences. Potential incentives are applied to units and range from \$250 to \$2,000 per unit. Incentives can be combined in some cases.*
- Nova Scotia offers the *Energuide for New Houses* for new Energuide homes registered after April 9, 2009. The potential rebate ranges from \$250 to \$350. A *First Time Home Buyers HST Rebate* is also available to first time home buyers.

3.1.12 FEDERAL INCENTIVES

The Federal Government offers a number of programs which offer significant incentives for individuals buying new housing. The following provides a brief overview of the programs offered; additional information is provided in Appendix I.

- The *GST/HST New Housing Rebate* is delivered by the Canada Revenue Agency. The rebate reduces the GST and the federal part of the HST from 5% to approximately 3.5% for homes valued at \$350,000 or less. Rebates are reduced for homes in the \$350,000 to \$450,000 range; homes above \$450,000 are not eligible for rebates. *Of note, the analysis contained in this report incorporates the GST rebate.*
- The remaining programs are directed towards first time home buyers regardless of whether the home is new or a resale. Some information is provided in Appendix I.

3.1.13 CAPITALIZATION OF PROPERTY TAXES

Previous versions of this study had undertaken a review of property taxes associated with the different housing types in different jurisdictions. As had been noted previously, property taxes are not directly related to new housing as they are paid by all home owners.

In order to understand the impact of property taxes the selling price of homes provided by CMHC were adjusted to generate estimates of the assessed value on which property taxes would be paid in 2009. This adjustment was necessary as in many jurisdictions property taxes are paid on the basis of an assessed value that relates to an earlier period (generally 1 to 4 years). The process of creating an estimated assessed value should be recognized as a rough approximation and not necessarily reflective of how an individual property would be assessed.

While some municipalities have standardized property taxes, many have different rates that impact different parts of the municipality. Our effort has been to establish an estimate of the property taxes that would be paid on the typical home in 2009. Appendix J provides the estimated 2009 assessed

values and property taxes for modest priced homes by unit type (single detached, semi-detached, row and condominium apt).

In the Province of Quebec, municipalities do not impose set infrastructure charges on new homes. Where the cost of infrastructure was not paid by a builder upfront, the cost of new infrastructure is generally paid through property tax surcharges/surtaxes applied to areas receiving the benefit of the new infrastructure. Intuitively this suggested that property taxes may be higher in Quebec, particularly when comparing the property taxes in jurisdictions which imposed infrastructure charges. The review of property taxes was undertaken based on a review of typical property taxes; thus surcharges/surtaxes associated with specific areas are not captured.

An examination of the property taxes²⁰ on modest single detached dwellings reveals the following:

- The lowest municipal property taxes on modest housing are in Calgary at \$1,864. Calgary imposes municipal infrastructure charges.
- The highest municipal property taxes are in Sudbury at \$5,333. Sudbury also imposes infrastructure charges.
- The next highest property taxes are in Vaughan at \$4,689. Vaughan imposes infrastructure charges.
- The municipalities with no set municipal infrastructure charges include Montreal, Quebec and Charlottetown which have property taxes of \$2,855, \$2,320, and \$2,834 respectively.

While the quantum of property taxes is important, the more relevant parameters are the assessed value and the property tax rate (or mill rate). Relatively speaking the assessed values in the analysis are lowest in Charlottetown, Quebec and Windsor (all below \$200,000). The highest property tax mill rates are Winnipeg (2.760), Saskatoon (2.116), Windsor (1.845), Charlottetown (1.67) and Hamilton (1.588).

Property taxes are imposed by municipalities as a means of generating revenue. This is a municipality's largest revenue source. As such property taxes are utilized to cover a range of costs including operating and capital costs.

Given that a substantial portion of the property tax revenue is used to cover operating costs, the capitalization of property taxes, in our view, is not to be considered along with the other GICs examined in this study. Further, the determination of property tax rates and the practices of municipalities vary substantially across the 21 centres included in the study.

Given that property taxation is a complex issue, in our view there is little relevant value in calculating the capitalization of property taxes in the context of GICs on new housing.

3.2 Estimated GICs in 2009 – Modest Single detached Dwelling Unit

This section presents the estimated GICs for 2009 for modestly priced single detached dwelling units. Some key observations are noted below. Appendix E provides the detailed summary charts identifying the various GICs for the 21 centres; highest absolute and relative GICs by component are highlighted in the tables in yellow. Appendix G provides the analytical charts. Explanations or background discussion is provided to assist in the review of the material.

²⁰ Refer to Appendix J for details related to the assumptions regarding assessed value and mill rate

3.2.1 MUNICIPAL GICS

3.2.1.1 Infrastructure Charges (Appendix G: Analysis Figure 1)

- The highest charges are found in Surrey at \$38,060, representing 7.5% of the selling price of \$505,762, and Vaughan at \$35,371 at 7.6% of the selling price of \$465,133. Both relate to new urban areas with considerable infrastructure requirements for single detached housing.
- Certain Ontario municipalities, including Hamilton, Waterloo, and Ottawa had infrastructure charges of: \$22,604, \$25,437 and \$26,808 respectively. These cities also have the highest charges expressed as a percentage of selling price at 8.0%, 8.7% and 8.5% respectively of \$282,881, \$291,111 and \$314,816. These infrastructure charges are in the form of Development Charges and Education Development Charges.
- Saskatoon has an infrastructure charge, which is based on an Offsite Services charge and other charges which are calculated on a front metre basis. This results in a charge of \$21,246 or 6.4% of the selling price of \$329,399.
- While Surrey's charge of \$38,060 per unit is high, the other centres from BC had lower charges at \$16,149 (2.0% of \$789,714) in Vancouver, \$4,724 (1.5% of \$319,952) in Prince George and \$3,990 (0.6% of \$688,058) in Burnaby. Clearly the infrastructure charges vary substantially within BC both in terms of quantum and % of selling price.
- Within Alberta, Calgary's infrastructure charge was \$11,356 (3.0% of \$372,814) and Edmonton's was at \$17,296 (4.7% of \$369,825).
- Six municipalities had infrastructure charges between \$2,000 and \$5,000, while four municipalities had no or almost no GICs in this category. Two of these were Montreal and Quebec City which have no set infrastructure charges, as previously noted.

There is potential for significant variability in the infrastructure charges within a centre. As an example, in Calgary there are acreage assessments which are akin to area specific charges. The storm sewer levy varies depending on the watershed area and ranges from a low of \$224 per acre to a high of \$46,183 per acre. Areas with low charges may relate to areas where storm sewer infrastructure already exists and only minor improvements are required. Areas with high charges are likely parts of the City where significant new investment in sewers or storm ponds, also referred to as storm retention or detention ponds, are required.

Of note, no specific public transport and/or environmental fees/contributions were discovered during the research to address the two additions to infrastructure charges included in this study. In the Ontario context, public transport (transit) can be included as part of a development charge and in Calgary it is a component of the acreage assessment. Environmental fees/contribution were not identified within the framework of development charges or acreage assessments. In Ontario, it is believed that such charges may be imposed by Conservation Authorities²¹ in instances where there are sensitive environmental issues/concerns which may be impacted by new development.

²¹ Conservation Authorities are local, community based environmental agencies. They represent a grouping of municipalities on a watershed basis and work in partnership with others to manage their respective watersheds. The Conservation Authorities Act (Ontario) provides the means by which the province and municipalities of Ontario could join together to form a Conservation Authority within a specific area – the watershed – to undertake programs of natural resource management.

3.2.1.2 Land Dedication (Appendix G - Analysis Figure 2)

Land dedication charges relate to Parkland dedication that must be paid to the municipality in each of the jurisdictions. Some municipalities have set percentages based on Provincial law such as 5% of the property being developed in Ontario and B.C. and 10% in Alberta and Quebec. Rules related to the circumstance where cash is given in lieu of land also vary between municipalities, where some based the calculation on raw land while others based their calculation on serviced land. Further, some municipalities base the calculation on gross land area and other use net land area.

- The high park land dedication charge in Toronto at \$15,620 (representing 2.8% of a modest priced single detached unit of \$549,785) is associated with the high land values in the municipality. Cash in lieu calculations are based on what it would cost to acquire land.
- Surrey's high land dedication charge of \$12,444 (2.5% of \$505,762) is also the result of high property values in the municipality.
- Vaughan's charge of \$9,000 (1.9% of 465,133) is also tied to the high property values in the Greater Toronto Area; these values are lower in Waterloo (\$4,800 or 1.6% of \$291,111) and Hamilton (\$5,000 or 1.8% of \$282,881).
- Vancouver has no parkland dedication charge for single detached homes. The other BC centres of Burnaby and Prince George impose parkland dedication charges of \$6,521 (0.9% of \$688,058) and \$920 (0.3% of \$319,952) respectively.
- Other municipalities have lower charges as the cash-in-lieu value is based on raw (i.e., unserviced) land values.

3.2.1.3 Development Application and Processing Fees (Appendix G -Analysis Figure 3)

This category is an estimate of fees associated with obtaining planning approvals for a new home. These fees are calculated on the same assumptions that were used in the previous study: all zoning and land use designations are in place, and the development is occurring by way of a 40 lot subdivision. The impact of these assumptions will vary by municipality.

- Vancouver had the highest estimated Development Application and Processing Fees at approximately \$2,365 (0.3% of \$789,714) followed by Ottawa at \$2,204 (0.7% of \$314,816).
- Vaughan, Calgary and Waterloo had fees above the average of \$641 for development application and processing fees with charges of \$1,815 (0.4% of \$465,133), \$1,429 (0.4% of \$372,814), and \$1,220 (0.4% of \$291,111) respectively.
- Toronto had estimated fees around \$1,000 (0.4% of \$549,785). Edmonton's charge is at \$718 (0.4% of \$369,825).
- Many municipalities with low fees have little development by means of subdivision

3.2.1.4 Building Permit Fees (Appendix G - Analysis Figure 4)

Building permit fees are generally calculated on the basis of building area, although they may be assessed on construction value (British Columbia) or a fixed fee per unit.

- Burnaby and Vancouver had high estimated building fees as the construction value on which the rates are calculated are high given the value of the houses that were built

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are more than \$600,000. Building fees are \$6,091 (0.9% of \$688,058) and \$4,180 (0.5% of \$789,714) for Burnaby and Vancouver respectively.

- A large number of municipalities fell within +/- 20% of the average estimated fee of \$2,082.
- Toronto's slightly higher than average fee of \$3,110 (0.6% of \$549,785) relates to a slightly larger home.
- Edmonton's charge of \$2,721 (0.7% of \$369,825) is a combination fee that includes services that are not part of some other fees.
- Building permit fees in Quebec and Charlottetown are low at \$300 (0.2% of \$180,837) and \$240 (0.1% of 161,221) respectively.

3.2.1.5 Other Municipal Charges (Appendix G - Analysis Figure 5)

This is a new component that did not appear in the previous studies. Halifax and Toronto both have Land Transfer taxes which have rates set by the Municipality and for which the revenue is transferred to the municipality.

- The Halifax Deed Transfer tax of 1.5% of the house price was included in the 2006 study, but was listed (with appropriate notation) in the Provincial Charges tables. The present study considers it a municipal GIC.
- The City of Toronto's Municipal Land Transfer Tax was implemented Feb 1, 2008 and is a new charge imposed on any home sale (new or resale). The rate ranges from 0.5% to 2.0% of the house price. It represents a doubling of the land transfer tax since the 2006 study, as it matches the amount collected by the Province.

3.2.1.6 Total Municipal GICs (Appendix G - Analysis Figure 6)

The total municipal GICs include: Infrastructure Charges, Land Dedication, Development Application and Processing Fees and Building Permit Fees.

- The lowest charges are found in Yellowknife at \$2,544 (0.8% of \$329,504) and the highest charges are found in Surrey at \$53,451 (10.6% of \$505,762). The average total municipal GIC across the 21 centres is \$20,235 (representing, on average, 5.7% of \$355,000).
- High infrastructure charges were the cause of the high municipal charges in Vaughan (\$47,998 or 10.3% of \$465,133).
- Toronto's new Land Transfer Tax pushes it into the third highest Municipal GIC at \$43,959 (8.0% of \$549,785).
- The other Ontario municipalities including Ottawa (\$35,924 or 11.4% of \$314,816), Waterloo (\$33,114 or 11.3% of \$291,111), Hamilton (\$30,447 or 10.6% of \$282,881) followed; high infrastructure charges are attributed as being the main reason for high municipal GICs in these centres.
- Low estimated charges are found in Charlottetown at \$4,765 (3.0% of \$161,221), and Whitehorse at \$4,713 (1.7% of \$270,090) and as noted earlier Yellowknife at \$2,544 (or 0.8% of \$329,504).

EXAMINATION INTO GOVERNMENT IMPOSED CHARGES ON NEW HOUSING CONSTRUCTION

- Moderate estimated charges are found in Halifax, Sudbury and Prince George.
- Vancouver and Edmonton had total municipal GICs above the \$20,235 average at \$22,856 (2.9% of \$789,714) and \$22,099 (6.0% of \$369,825) respectively. High infrastructure charges are the reason.
- Comparatively Calgary and Burnaby were \$16,207 (4.3% of \$372,814) and \$16,648 (2.4% of \$688,058) respectively.

3.2.2 PROVINCIAL AND FEDERAL CHARGES

3.2.2.1 New Home Warranty Program Fees (Appendix G - Analysis Figure 7)

As indicated earlier, home warranties are required in Ontario, British Columbia and Quebec. In other Provinces where home warranties are optional, fees have been included to create a level playing field in comparing GICs across the country. In comparing the fees between jurisdictions, it should be noted that coverage provided by the Home Warranties vary between programs.

- Home warranty fees are assessed by the provider (Tarion) in Ontario on the basis of a tiered schedule according to home price. Toronto followed by Vaughan have the highest home values and therefore have high home warranty charges of \$1,130 (0.2% of \$549,785) and \$1,040 (0.2% of \$465,133) respectively. By comparison, home warranty fees in Waterloo are \$723 (0.2% of \$291,111).
- In Quebec, home warranties are mandatory and are provided by the Association Provinciale des Constructeurs d'Habitations du Québec (APCHQ). They have a standard fee of \$1,000 per home. Builders who have had previous claims may have to pay an additional premium.
- The average home warranty fee across the 21 municipalities included in the 2009 study was \$756 (0.4% of \$355,000).
- Warranty fees were obtained from insurance providers in British Columbia to provide the mandatory coverage, this is shown as consistent across municipalities, but the actual amount will vary depending on the profile and experience of the builder. Fees are on the order of \$1,000.
- The lowest warranties rates are found in Halifax (\$373 or 0.2% of \$217,074) and Charlottetown (\$347 or 0.2% of \$161,221) where warranties are provided by the Atlantic Home Warranty Corporation.
- Home warranties are not available in Whitehorse or Yellowknife.

3.2.2.2 Registry Fees / Land Transfer Taxes (Appendix G - Analysis Figure 8)

- Vancouver (\$13,868 or 1.8% of \$789,714) followed by Burnaby (\$11,835 or 1.7% of \$688,058) had the highest Registry and Land Transfer Tax, which is largely a function of the high selling prices.
- Toronto (\$9,792; 1.8% of \$549,785), Surrey (\$8,189; 1.6% of \$789,714) and Vaughan (\$6,830; 1.5% of \$465,133) also have higher than average (\$3,797; 0.9% of \$355,000) GICs in this category due to the selling prices in these municipalities.
- Alberta and the Territories do not have significant fees in this category.

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3.2.2.3 Other Provincial Charges (Appendix G - Analysis Figure 9)

These charges are generally review fees charged at the Provincial Level. They are not a significant component of overall GICs. Across the 21 centres the average was \$96 and ranged from a low of \$0 (Calgary, Edmonton, Yellowknife, Saskatoon and Whitehorse) to a high of \$283 (Charlottetown).

3.2.2.4 Provincial Sales Taxes (Appendix G - Analysis Figure 10)

Both the application of provincial sales tax and the PST rate on new housing varies across the country, as shown in Figure 3.1. In Halifax, the PST is payable on the sale price of the dwelling exclusive of GST. In Quebec, the PST is payable on the dwelling price including GST. Alberta and the Territories have no provincial sales tax. In other Provinces, PST was payable on the construction materials used to build the home. While the practice or approach to the application of PST varies, it is nonetheless important to report on this GIC as in some cases it comprises a significant quantum.

- Montreal had the highest estimated amount of provincial sales tax at \$22,325 (7.7% of \$288,432) as the tax (rate of 7.5%) is payable on the selling price of the home including GST i.e.: ((price + [price x .05]) x .075).
- Vancouver, with high construction material costs, ranked 2nd with \$22,050 (2.8% of \$789,714) Burnaby followed at \$18,900 (2.7% of 688,058).
- Halifax, with sales tax on the full selling price had the next highest sales tax at \$17,366 (8.0% of \$217,074).
- Overall the average PST charge was \$8,700.
- Other centres above the average included Toronto (\$10,764; 2.0% of \$549,785), Ottawa (\$9,600; 3.0% of \$314,816), and Vaughan (\$9,581; 2.1% of \$465,133).

Figure 3.1: Provincial/Territorial Sales Tax – Basis, Rate, Results by Province or Territory

| Province | Municipality | Single Family Modest Home | Single Residence | Base used to calculate tax | Base amount | % | Tax amount | % of the modest home price |
|----------------|-----------------|-------------------------------------|------------------|--|--------------------------------------|-------------|-----------------|----------------------------|
| | | Net Sale price (Excludes GST / PST) | GFA | (Home Sale price / Cost of Material) | (Home Sale price / Cost of Material) | | | |
| AB | Calgary | \$372,814 | 2,200 | No Provincial Sales Tax | | | | |
| AB | Edmonton | \$369,825 | 1,800 | No Provincial Sales Tax | | | | |
| BC | Burnaby | \$688,058 | 2,600 | Cost of Building Material | \$330,002 | 7.0% | \$23,100.17 | 3% |
| BC | Prince George | \$319,952 | 3,000 | Cost of Building Material | \$144,000 | 7.0% | \$10,080.00 | 3% |
| BC | Surrey | \$505,762 | 1,800 | Cost of Building Material | \$175,500 | 7.0% | \$12,285.00 | 2% |
| BC | Vancouver | \$789,714 | 3,100 | Cost of Building Material | \$520,800 | 7.0% | \$36,456.00 | 5% |
| MB | Winnipeg | \$259,575 | 2,000 | Cost of material (\$) + Electrical and Mechanical Contract price | \$108,000 | 7.0% | \$7,560.00 | 3% |
| NS | Halifax RGM | \$217,074 | 2,400 | Home Sale Price | \$277,605 | | \$0.00 | 0% |
| NT | Yellowknife | \$329,504 | 2,500 | No Provincial Sales Tax | | | | |
| ON | Greater Sudbury | \$280,818 | 2,000 | Cost of Building Material | \$105,000 | 8.0% | \$8,400.00 | 3% |
| ON | Hamilton | \$282,881 | 2,400 | Cost of Building Material | \$136,800 | 8.0% | \$10,944.00 | 4% |
| ON | Ottawa | \$314,816 | 2,000 | Cost of Building Material | \$135,000 | 8.0% | \$10,800.00 | 3% |
| ON | Toronto | \$549,785 | 3,600 | Cost of Building Material | \$144,202 | 8.0% | \$11,536.13 | 2% |
| ON | Vaughan | \$465,133 | 2,800 | Cost of Building Material | \$149,856 | 8.0% | \$11,988.48 | 3% |
| ON | Waterloo | \$291,111 | 2,200 | Cost of Building Material | \$127,406 | 8.0% | \$10,192.51 | 4% |
| ON | Windsor | \$177,956 | 1,300 | Cost of Building Material | \$93,600 | 8.0% | \$7,488.00 | 4% |
| PE | Charlottetown | \$161,221 | 1,500 | Cost of Building Material | \$76,500 | 10.5% | \$8,032.50 | 5% |
| QC | Montreal | \$288,432 | 1,400 | Home Sale Price + GST | \$350,714 | 7.5% | \$26,303.55 | 9% |
| QC | Quebec | \$180,837 | 1,300 | Home Sale Price + GST | \$232,724 | 7.5% | \$17,454.31 | 10% |
| SK | Saskatoon | \$329,399 | 1,800 | Cost of Building Material | \$121,500 | 5.0% | \$6,075.00 | 2% |
| YT | Whitehorse | \$270,090 | 2,600 | No Provincial Sales Tax | | | | |
| Average | | \$354,512 | 2,205 | | \$189,953 | 7.6% | \$12,864 | 3.8% |

GFA = Gross Floor Area

3.2.2.5 Goods and Services Tax (GST) (Appendix G - Analysis Figure 11)

- Vancouver (\$39,486; 5.0% of \$789,714) and Burnaby (\$34,403; 5.0% of \$688,058) had the highest estimated amount of GST. These municipalities, and Surrey (\$17,203; 5.0% of \$505,762), Toronto (\$21,871; 5.0% of \$549,785) and Vaughan (\$17,635; 5.0% of \$465,133) had selling prices above \$450,000, and are not eligible for any GST Credits beyond this amount.
- Municipalities with home selling prices below \$350,000 are eligible for the highest level of GST credits amplifying the impact of selling price on this GIC.
- The overall average GST charge across the 21 centres is \$14,079 (3.7% of \$355,000).
- Calgary and Edmonton were just below the average GST at \$13,778 (3.7% of \$372,814) and \$13,440 (3.6% of \$369,825) respectively.

3.2.2.6 Total Provincial GICs (Appendix G - Analysis Figure 12)

- Selling prices, land values and the cost of construction materials have the greatest impact on provincial charges, with Vancouver (\$36,944; 4.7% of \$789,714), and Burnaby (\$31,760; 4.66% of \$688,058) having the highest GICs.
- Montreal (\$26,424; 9.2% of \$288,432) stands out as the highest percentage based on the selling price of the home (including GST). This is due to the fact that the selling price includes GST and the QST rebates do not apply as the house price is over the threshold limit of \$225,000.
- Halifax (\$17,882; 8.2% of \$217,074) stands out with high Provincial GICs expressed as a percentage of selling price, as a result of paying Provincial sales taxes on the full price of the home (compared to building materials only in other centres).

3.2.2.7 Total Provincial and Federal GICs

- Combining Provincial and Federal GICS Vancouver (\$76,340; 9.7% of \$789,714), and Burnaby (\$66,162; 9.6% of \$688,058) having the highest GICs.
- Montreal (\$35,654; 12.4% of \$288,432) and Halifax (\$24,848; 11.4% of \$217,074) stand out with high combined Provincial and Federal GICs for relatively lower priced homes.

3.2.2.8 Total Municipal, Provincial and Federal GICs (Appendix G– Figure 13)

- Three BC municipalities and two Ontario municipality stand out for having estimated GICs above \$80,000:
 - Vancouver at \$99,826 (12.6% of \$789,714);
 - Surrey at \$95,941 (19% of \$505,762);
 - Toronto at \$93,319 (17% of \$549,785);
 - Vaughan at \$88,889 (19.1% of \$465,133); and
 - Burnaby at \$82,811(12.6% of \$688,058).

These municipalities also have the highest selling prices in the modest category for single detached homes. Taxes and fees that are directly and indirectly linked

to selling price are the key factor, particularly in British Columbia. In Ontario, and Surrey high infrastructure charges set by municipalities are also a major contributing factor.

- The (simple) average GIC across the 21 centres is \$47,664 (13.3% of \$355,000).
- Southern Ontario municipalities GICs are calculated to be about 17 – 19% of the selling price of a home. The absolute value of the GICs varies according to the selling price for these municipalities.
- Surrey at 19%, representing the 2nd highest percentage in the study (tied with Ottawa), is much higher than other BC municipalities of Prince George, Burnaby and Vancouver at 9.4%, 12% and 12.6% respectively.
- Yellowknife and Whitehouse have the lowest GICs and as a percentage of the selling price.

3.3 Estimated GICs in 2009 – Median Priced Single Detached Dwelling Units

This section presents the estimated GICs for 2009 for the median priced single detached dwelling. Some key observations are noted below. Appendix F provides the detailed summary charts identifying the various GICs for the 21 centres highest absolute and relative GICs by component are highlighted in the tables in yellow. Appendix H provides the analytical charts. Explanations or background discussion is provided to assist in the review of the material.

3.3.1 MUNICIPAL GICS

3.3.1.1 Infrastructure Charges (Appendix H - Analysis Figure 14)

- Similar to the modest results, Surrey at \$40,764 (7.2% of \$567,207) and Vaughan \$35,528 (6.8% of \$523,295) had the highest absolute infrastructure charges in 2009. Infrastructure charges are generally not linked directly with selling price. With median housing prices being higher, the percentage of selling prices is moderately less in these two municipalities.
- The highest relative infrastructure charge is in Ottawa at 7.4% of the housing price of \$362,489 (where the municipal infrastructure charge is \$26,808).
- Across the 21 centres included in the 2009 study, the average percentage of selling prices for a median home is 2.9%, while the average for a modest home is 3.5%.
- The infrastructure charge in Saskatchewan is higher in the modest home because the charge is based on the frontage of the home.

3.3.1.2 Land Dedication (Appendix H – Analysis Figure 15)

- Cash-in-lieu payments are based on a percentage of the value of the land. The median priced dwelling units, with generally larger lots, would have higher land values and therefore higher land dedication values.
- Toronto had the highest estimated Land Dedication GIC at \$24,545 (2.9% of \$842,743).
- Land dedication as a percentage of selling prices, on average was marginally less for median (1.2%) vs. modest dwelling units (1.4%).

3.3.1.3 Development Application and Processing Fees (Appendix H– Analysis Figure 16)

- Vancouver had the highest application fees at \$2,365 (0.2% of \$1,288,137), while Ottawa had the second highest fees (\$2,204; 0.6% of \$362,489) in absolute terms and the highest as a percentage of selling price (0.6%).
- The estimates of Development Application and Processing Fees remained similar between the two price point categories (\$4,418 for modest and \$4,903 for median).
- On average, these fees, as a percentage of the selling price, were lower for median homes (0.1%) than for modest homes (0.2%).

3.3.1.4 Total Building Permit Fees (Appendix H – Analysis Figure 17)

- Burnaby had the highest building permit fees (\$7,105) in absolute terms and as a percentage of selling price (0.9% of \$775,481).
- The average Building Permit Fees in absolute terms were higher for a Median Home (\$2,483 for median versus \$2,082 for modest), but lower as a percentage of selling price (0.5% for median, 0.6% for modest). Building Permit fees are typically based on the Gross Floor Area, or value of construction, both which would be expected to be higher in a more expensive home.

3.3.1.5 Other Municipal Charges (Appendix H – Analysis Figure 18)

- For both municipalities with local land transfer taxes (Halifax & Toronto) the absolute rates were higher for Median than for Modest homes, as the tax is based on Selling Price.

3.3.1.6 Total Municipal GICs (Appendix H – Analysis Figure 19)

- Toronto's Land Transfer Tax put the Municipal GICs for a median (\$65,747, or 7.8% of \$842,743) single detached dwelling above Surrey which was highest for the modest category (\$53,451, or 10.6% of \$505,762).
- On a relative basis, Surrey (\$56,963) and Ottawa (\$36,237) reflected the highest at total Municipal GICs in terms of share of selling price at 10%.
- For both modest (11.4%) and median categories (10%), Ottawa had the highest GICs as a percentage of selling price.

3.3.2 PROVINCIAL AND FEDERAL CHARGES

3.3.2.1 New Home Warranty Fees (Appendix H – Analysis Figure 20)

- Toronto had the highest New Home Warranty Fees. In Ontario, fees from the provider are based on the selling price of the home.
- Outside of Ontario the fees were unchanged between modest and median homes, where the rates that were provided by suppliers were based on the unit type rather than selling price.

3.3.2.2 Registry Fees/ Land Transfer Tax (Appendix H – Analysis Figure 21)

- In absolute terms, Vancouver had the highest GICs in this category at \$23,836 (1.9%). The GIC for a median home was about \$10,000 higher than for a modest home. As percentage of selling price, the difference was only 0.1%. In BC, where Land Transfer Taxes are imposed on a sliding scale (1% on the first \$200,000 and 2% for the remainder of the selling price above \$200,000).

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- On average the GICs for this category were only 0.1% different as a percentage of selling price.

3.3.2.3 Other Provincial Charges (Appendix H – Analysis Figure 22)

- The GICs were identical between Modest and Median homes as they are per unit charges rather than rates based on selling price or area of the home.

3.3.2.4 Provincial Sales Tax (Appendix H – Analysis Figure 23)

- Montreal with Quebec's Provincial Sales Tax (QST) applied on the selling price of the house, inclusive of GST, had the highest GIC in the category at \$26,304 (7.7% of \$339,839).
- For the median home (selling price of \$225,508) in Quebec City, the Provincial Sales Tax amounted to 7.7%, while for the modest home (selling price of \$180,837) it was only 4.7%, showing the impact of the QST rebate for homes less than \$225,000.
- In Provinces where the PST is applied on construction inputs the absolute GICs were higher for the median home reflecting the additional cost of building materials.
- Halifax had the highest PST on a relative basis at 8% of selling price on both a median and modest priced home.

3.3.2.5 Federal Goods and Services Tax (Appendix H – Analysis Figure 24)

- Vancouver with its median home price of more than a \$1 million had the highest GIC in this category (\$64,407 or 5.0% of selling price of \$1,288,137).

3.3.2.6 Total Provincial GICs (Appendix H – Analysis Figure 25)

- Vancouver had the highest total Provincial GICs at \$61,319 (or 4.8% of \$1,288,137).
- The two Quebec municipalities have the highest PST (QST) on the selling price of a home at 9.2%.

3.3.2.7 Total Provincial and Federal GICs

- Vancouver had the highest total for Provincial and Federal GICs at \$125,726 (9.8% of \$1,288,137).
- The two Quebec municipalities have the highest combined totals at 12.4% reflecting the imposition of both PST (QST) and GST on the selling price of a home.

3.3.3 TOTAL MUNICIPAL, PROVINCIAL AND FEDERAL GICS (APPENDIX H – FIGURE 26)

- Three BC municipalities and two Ontario municipality had the highest absolute GICs:
 - Vancouver at \$151,559 (11.8% of \$1,288,137);
 - Toronto at \$141,120 (16.75% of \$842,743);
 - Surrey at \$108,050 (19% of \$567,207);

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- Vaughan at \$98,713 (18.9% of \$523,295); and
- Burnaby at \$94,685 (12.2% of \$775,481).

The aforementioned centres ranked highest in the modest category as well. These municipalities also have the highest selling prices in the median category for single detached dwelling units.

- The (simple) average GIC across the 21 centres is \$58,540 (or 13.2% of the average selling price of \$443,000).
- Southern Ontario municipalities GICs represent 15 – 19% of the selling price of a dwelling unit. The absolute value of the GICs varies according to the selling price for these municipalities.
- Surrey at 19%, representing the highest percentage in the study, is much higher than other BC municipalities of Prince George, Vancouver, and Burnaby at 10.2%, 11.8% and 12.2% respectively.
- Yellowknife and Whitehouse have the lowest GICs and as a percentage of the selling price.

3.3.4 COMPARISON OF GICS FOR MODEST AND MEDIAN PRICED DWELLING UNIT

- For a median priced dwelling unit, Municipal GICs are marginally higher than for a modest priced dwelling unit (\$21,970 vs. \$20,198), but less on a percentage of selling price basis. (5.0% vs. 5.7%) This results from a number of the municipal fees being “per unit” rather than being linked to selling price or unit size.
- Average absolute Provincial GICs are higher for a median priced dwelling unit on both an absolute (\$17,724 for median vs. \$13,366 for modest), and on a percentage of selling price basis (4.2% for median vs. 3.9% for modest). At the Provincial level, selling price plays a larger role in the setting of GICs. In the case of Quebec, QST rebates play a role in reducing the relative Provincial GIC for modest priced dwelling units.
- Similarly, at for Federal GICs both the absolute average GIC and average percentage of selling price are higher for the median (\$18,845 or 3.9%) vs. the modest (\$14,079 or 3.7%) priced dwelling unit. This is due to the fact that the GST is linked directly to the selling price of the unit.
- When all of the levels are combined, absolute GICs are higher for median priced dwelling units compared to modest priced dwelling units (\$58,540 vs. \$47,643), but slightly lower percentage of selling price (13.2% vs. 13.3%).

Appendix K provides a summary of the municipal GICs for both modest and median priced dwelling units across all centres included in this study and by dwelling type. Generally, on an absolute basis, the municipal GICs for median priced dwelling units were roughly the same as those imposed on modest priced dwelling units. However, the summary reveals some anomalies, some of which are explained below:

- In Edmonton, the municipal GICs on a median priced single detached dwelling unit was \$17,709, considerably lower than the \$22,099 imposed on a modest priced single detached dwelling unit. The difference of \$4,390 is attributed to the builder/developer survey results which identified a modest priced single detached dwelling as having a lot

frontage of 40 ft compared to 30 ft for a median priced single detached dwelling unit; further the modest unit comprised 1900 sq ft compared to 1800 sq ft for a median unit.

- In Saskatoon, the municipal GIC on a median priced semi detached dwelling unit was \$12,860, some \$2,619 below the municipal GIC of \$15,479 estimated for a modest semi. In the case of the median priced semi the builder/developer survey had identified a lot frontage of 20 ft compared to 25 ft for a modest semi.
- In Vancouver, a median priced apartment unit has municipal GICs totalling \$5,867 compared to \$6,653 for a modest priced apartment. From the builder/developer survey a median priced apartment unit comprised 500 sq ft compared to 600 sq ft for a modest priced apartment.

4. GICS TRENDS FROM 2006 TO 2009

Given that the 2006 study dealt with median dwelling unit prices, the trend analysis over the 2006 to 2009 timeframe is also carried out for the median priced single detached dwelling. In order to carry out the trend analysis, the 2006 median dwelling prices as well as the GICs were indexed to 2009. The *New Housing Price Index* [NHPI] from *Capital Expenditure Price Statistics* (Statistics Canada, Catalogue 62-007-x) was utilized. In the case of Whitehorse and Yellowknife the Consumer Price Index (CPI) was used, as the NHPI was not available for these centres. Appendix L includes the figures referenced in this section.

In considering potential indices for application in this analysis, IBI Group is aware that the regulations to the *Development Charges Act (DCA)* in Ontario specifically reference the index source to be used: Capital Expenditures Price Statistics (previously known as Construction Price Statistics). Prior to the enactment of the DCA, municipalities could choose from a broad range of indices. The standardization and routine reporting of the indices found in the Capital Expenditures Price Statistics suggests that it is a reasonable and appropriate source to use in the context of this study.

Within the referenced document there are a number of indices from which a municipality can choose from. Many municipalities currently utilize the Non-Residential Construction Price Index. The NHPI was selected as the basis for indexing because it best represents the changes in housing prices that took place over the period.

4.1.1 HIGH LEVEL OVERVIEW

For absolute and relative trends in GICs, the analysis focuses on the 'median' single detached dwelling unit. At a high level, the following observations can be made:

- On a comparative basis, allowing for indexing of the 2006 values, the overall average GIC rose from \$44,488 in 2006 (indexed to 2009) to \$58,540 in 2009 – representing a 23% increase.
- Overall, the average median dwelling unit price was \$378,926 in 2006 (indexed to 2009) compared to \$443,000 in 2009 – a 17% increase.
- Thus, the increase in GICs increased more than housing prices over the 2006 to 2009 timeframe.
- In 2006, on average²², GICs represented 12.6% of the price compared to 13.2% in 2009.

4.1.2 CHANGES IN MUNICIPAL GICS BETWEEN 2006 AND 2009

Appendix L- Trends Figures 1 and 5 looks at the changes that have occurred in Municipal GICs in absolute and percentage changes respectively. A wide range of factors are at play in looking at the trends. Changes in home prices play a somewhat smaller role in these GICs. Land costs impact the value of land dedications, while construction costs are one of the factors that impact the Infrastructure Costs that are assessed by municipalities.

- Toronto also had a notable change in municipal GICs between 2006 and 2009 of \$32,301. There are two factors at play here. Land values which are used to calculate cash in lieu for land dedications have risen. More significantly, Toronto has also

²² When the term 'average' is used it is meant as the simple average rather than the weighted average.

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introduced its own Land Transfer tax, which for the study represents a new \$9,000 GIC that was not applicable in 2006.

- Surrey also experienced a substantial absolute increase of more than \$21,200. Infrastructure charges were predominantly responsible for the significant increase followed by land dedication charges.
- Vaughan, Ottawa, Waterloo and to a lesser scale Windsor, experienced increases in Infrastructure Charges as a result of an increase in Development Charges payable in these municipalities. This relates in part to the provincial requirement that municipalities update their Development Charge By-laws at a minimum every five years, and increased capital construction costs for the facilities that are paid for through their Development Charges.
- In areas with significant variability in area specific charges (Calgary, Edmonton), or in areas without typical or set infrastructure charges (Montreal and Quebec City) it is difficult to accurately gauge the degree of change that has occurred with between the two periods.
- Vancouver's municipal GICs increased by \$8,830 mainly due to Infrastructure Charges. In 2006, municipal GICs totalled \$17,003, representing 2.3% of the selling price of \$734,033 (*note: 2006 values are indexed*). In 2009, municipal GICs totalled \$25,003, representing 2.0% of the selling price of \$1,288,137. Thus, the incremental increase was substantial in absolute terms but expressed as a % of selling price, the increase was notional.
- Hamilton restructured their Development Charge program, which resulted in a small decrease in Infrastructure Charges, but the impact varies across the municipality.
- Land dedication values are generally tied to assessed property values, and therefore may result in increases. Some municipalities have been more aggressive in their assessment approach requiring values closer to what it would cost them to acquire land. Where there have been decreases they may reflect the difficulty of attributing a theoretical value to land dedication in some jurisdictions where cash-in-lieu payments are rarely paid.
- Development Application and Processing fees appear to have remained relatively stable.

4.1.3 CHANGES IN PROVINCIAL AND FEDERAL GICS BETWEEN 2006 AND 2009

Changes also occurred in the Provincial and Federal GICs in both absolute (Appendix L– Trends Figures 2 and 3) and percentage terms (Appendix L – Trends Figures 6 and 7) respectively. Changes in this category are largely dependent on the selling price of the dwelling unit, and the related cost of materials.

- Vancouver and Burnaby are paying substantially more PST relative to other centres because the reported building material costs have increased. For a median priced single detached dwelling unit in Vancouver the increase in PST is around \$28,640; in Burnaby the increase is about \$14,427.
- In Quebec the relatively large increase in PST of \$11,103 is the result of the typical home crossing the selling price threshold of \$225,000 where the property becomes subject to the full rate of PST. In the earlier study the median dwelling unit price was

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less than the threshold limit and PST rebates were applied, thereby reducing the overall PST paid.

- New Home Warranty fees have stayed relatively constant, but as discussed earlier are variable in markets where the rates paid by a specific builder are not fixed.
- Vancouver's relatively large increase in GST of \$20,365 is the result of the median selling price of a Single Detached dwelling rising by almost \$500,000. This increase also impacts PST (indirectly through the cost of building materials) and registry fees as well.
- Other cities, such as Edmonton, Calgary and Yellowknife, experienced relatively larger increases in dwelling unit prices even with indexing. The result is an increase in the absolute GST in these municipalities despite the reduction of the GST rate from 6% to 5%.
- In other municipalities such as some in Ontario where price increases were more moderate, the impact of the GST rate reduction from 6% to 5% can be seen. Trends Figure 5 shows this decrease as a percentage. Where housing prices are above \$450,000 the full 1% reduction is evident, while a decrease of less than 1% would apply for homes where rebates apply.
- The decrease in Registry Fee /Land Transfer Tax for Halifax is the result in the shifting of the Halifax Deed Tax from Provincial to Municipal section of the report.

4.1.4 CHARGES AS A PERCENTAGE OF MEDIAN SELLING PRICE

Examining GICs as a percentage of selling prices is appropriate in understanding trends. Appendix L - Trend Figures 9–16 reflect GICs as a percentage of Selling Price that excludes GST and PST; this is consistent with earlier studies. Figures 17 through 24 take each GIC as a percentage of Gross Selling Price which includes GST and PST. The findings are not different, but the use of a Gross Selling Price eliminates the artificial separation of the GST and PST from the other GICs.

Looking at Trends Figure 9 (Appendix L) in comparison to Trends Figure 13:

- In 2009, municipal infrastructure charges have increased relative to 2006. Generally infrastructure charges represent a higher proportion of municipal GICs.
- Land dedication fees as a percentage of selling price have also increased in some jurisdictions. This change may be somewhat artificial, particularly in subdivisions where land is generally dedicated rather than a cash payment being required. The amount of land dedication on a percentage basis is consistent between for the two periods.
- For Halifax the Deed Levy Fee has been moved from provincial to municipal changing the charts according by 1.5%.
- There is no clear trend or particularly notable changes within municipalities with the Development Application and Process Fees or Building Permit Fees.

Looking at Appendix L - Trends Figure 10 in comparison to Trends Figure 14 for Provincial GICs:

- PST is generally higher in 2009. This is attributed to increased home prices and cost of building materials resulting in a higher PST expressed as a percentage of selling prices in some jurisdictions.

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- No significant trend is identifiable for Warranty Fee, Registry Fees on a percentage of Selling Price basis.

Examining Appendix L - Trends Figures 11 and 15 for Federal GICs:

- The impact of the reduced GST rate is evident across all municipalities. In municipalities where the selling prices are above \$450,000 the full 1% is easily seen. As GST credits apply below \$450,000 the difference between 2006 and 2009 percentages are reduced.

Appendix L - Trends Figures 12 and 16 compare 2006 and 2009 total GICs by type as a % of median selling price:

- Overall, there is a reduction in the GST component such that it represents a lower percentage. This is consistent with the reduced GST rate over the timeframe.
- All Ontario municipalities had increased shares of municipal GICs with the exception of Hamilton.
- Edmonton had reduced municipal GICs.
- Provincial GICs generally increased with the exception of Halifax.

Trends Figures 20 and 24 in Appendix L provide a comparative analysis of total GICs (broken down by municipal, provincial and federal) as a percentage of the median gross selling price:

- Overall, the analysis demonstrates that the change in total GICs expressed as a percentage of the gross selling price is not substantial between 2006 (12.6%) and 2009 (13.2%).

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DC090049

Ontario
Ontario Municipal Board
Commission des affaires municipales de l'Ontario

IN THE MATTER OF section 14 of the *Development Charges Act*, 1997, S.O. 1997, c. 27

Appellant: Orangeville District Home Builders Association
Subject: Development Charges By-law No. 78-2009
Municipality: Town of Orangeville
OMB Case No.: DC090049
OMB File No.: DC090049

APPEARANCES:

Parties

Counsel

Orangeville District Home Builders Association

R. Howe and J. Drake

Town of Orangeville

R. Doumani and J. Johnson

DECISION DELIVERED BY S.W. LEE AND K.J. HUSSEY AND ORDER OF THE BOARD

This hearing is an appeal to the Development Charges By-Law No. 78-2009 enacted by the Town of Orangeville pursuant to Section 14 of the *Development Charges Act*. The appeal was launched by the District Home Builders Association.

At the heart of this hearing is a debate concerning a change of the methodology used in the background study prepared by Hemson Consulting Ltd. for the calculation of the services charges imposed in the By-law. The change results in a significant increase in the amount of charges from what would have been had the former concept been used in the calculation. This panel is advised that it represents an estimate of a 25% increase overall.

This change does not come from an epiphany. According to Mr. Koenig, one of the partners being called as the witness for the Town, it is a firm-wide change and applicable to all new background studies to be done for Development Charges by Hemson. Given the role this consultant firm has been playing in this province for municipal economics and finances, one can surmise that the change had been prepared with acute awareness and studied care. However, it is obvious that the implications would be felt beyond the purview of Orangeville.

This is the first time that this new methodology is being challenged before the Board.

The Board has been advised by counsel for the two parties that the dispute revolves around the conceptual formulations rather than the numerical calculations as the central point is hinged on the choice of the “gross” or the “net” increase of growth. It is agreed that if the appeal were to be dismissed, the charge rates set out in the By-law will stand. If the appeal were to be allowed, Fig. 7 & 8 of Exhibit 3 should be the charge rates for the residential and non-residential sectors.

The Two Opposite Positions and the Role of the Experts

The Board is faced with the two starkly contrasting positions advanced by the two parties at this hearing in the calculation of the DC charges for certain soft services in this Town, such as fire, police, parks, indoor recreation facilities and transit.

The Association, through its counsel, maintains that the new approach is not consistent with the requirements stipulated in the provisions set out in the *Development Charges Act* in that it has the effect of funding service increases that will result in the level of service exceeding the average level of service provided in the municipality over the 10-year period immediately preceding the preparation of the background study. It also contends that such an approach does not reflect the need for services and does not account for the excess capacity in the Town’s infrastructure that will result from the decline of population in the existing homes.

On the other hand, the Town disagreed sharply. Its counsel maintains forcefully that the gross population methodology is more consistent with the requirement of the *Development Charges Act* as opposed to the net population. In his view, the focus of the charges should be predicated on the need for services required associated with the new development. The “maximum allowable funding” envelope is the result of the calculation of multiplying the forecast growth anticipated by the Town by the 10-year average service level for each service. The aggregates of the service sectors will constitute the entire “maximum allowable funding costs.” He rejects the notion of excess capacity as delineated by the Association. In his view, any capacity becoming available as a result of declining population in the existing homes should be left to the benefit of the existing community. It should not be appropriated for the benefit of the new developments. He highlights also the unmet demands from the existing population that are required to be met and the excess capacity cannot be displaced or appropriated for the growth.

The Board has had the benefit of hearing the evidence adduced by two highly competent and experienced economists specializing in this field of development charges; Ms. J. Gillezeau, on behalf of the Association, and Mr. F. Koenig, on behalf of the Town in support of their clients’ respective positions.

In view of the hearing we have had in which the presence of the experts looms large, we wish to underline an important point relating to expert evidence. We are keenly aware of the enunciations by the Courts in recent cases. In the City of Toronto v. R & G, (Div. Ct.) para 37, Molloy, J. of the Divisional Court states:

[37] The Board is not entitled to simply accept the opinion of an expert before it adopts it as the opinion of the Board without stating its reasons for doing so: Toronto (City) v. Romlek Enterprises, [2009] O.J. No. 2232 at para 34 (Div. Ct.). That is particularly so when there is no evidence cited by the Board to support the opinion, clear evidence cited by the Board contradicting that opinion, and no reasons given for preferring the testimony of one witness over the other.

The above is based in part on the dicta of Swinton J. in the City of Toronto vs. Romlek Enterprise O.J. No. 2232 at par 34(Div. Ct.):

[34] The proper interpretation of the Official Plan and the Secondary Plan is not a factual matter to be decided based on opinion evidence from planners, but rather a question of law (Toronto (City) v. 2059946 Ontario Ltd., [2007] O.J. No. 3021 (Div. Ct.) at para. 4). The Board member was required to interpret these documents himself. The interpretation he accepted, that the density limit would

not apply to the mixed residential use proposed, is not consistent with and is not a reasonable construction of the words of the Secondary Plan. There is nothing in Policy 1.4 of the Secondary Plan that suggests the density limit is meant to be limited to townhouse forms of development and not meant to apply to the apartment residence proposed.

This panel is also aware of the dicta enunciated by the Court of Appeal in Niagara Coalition v. the Town of Niagara-on-the-Lake 2010 ONCA Docket C50553 which has restated some of the findings above. We are aware that in a tribunal setting, experts' views on the law should not be treated as determinative even if deemed to be admissible.

We are mindful that the Board should not succumb to the easy option of adopting an interpretation proffered by an expert as our own without an adequate explanation. This hearing requires a probing and weighing the rationale of the determination of the charges and the assumptions deployed. We are cognizant that the experts in their course of analysis had to apply the relevant provisions of the Act in the way they saw fit. Law and finance get inextricably mixed in analyses of such complexity. Where matters of economic or financial analyses are involved, we would evaluate their validity, conscious of the fact the experts' assumptions may be rooted in the concepts of the provisions in question they may alone harbour. Where questions involving the interpretations of the provisions of the Act are concerned, the Board must exercise its own independent judgements after due consideration of counsels' submissions. Through it all, we remain vigilant that the views of the experts in all respects are but a means to an end, and not an end in itself.

A Brief Overview of the History and the Context of Development Charges

At the risk of prolixity, but for the purposes of a more fulsome understanding, it is useful to review briefly the evolution of the development charges so that one can appreciate how this municipal financial instrument relates to other instruments such as realty taxes, service rates, frontage charges and users' fees. This would be of importance for the detailed analysis that follows.

Development Charges are not realty taxes. They are charges which a municipality can impose on new developments to cover or recover capital costs resulting from such growths. Prior to the enactment of the *Development Charges Act* in 1989, there had been a variety of practices that municipal councils undertook to achieve those purposes. A common, cost-efficient technique was that a lead developer in a municipality would pre-build an oversized infrastructure. Cost-recovery was undertaken by the municipality playing a role of an “honest broker.” Subsequent developers would then pay their share of growth-related costs to the municipality who would in turn refund or credit the lead developer. Some of this was done without a formal or comprehensive agreement. The South-Peel system was the precursor of this antediluvian practice. Parenthetically, remnants of this practice still linger as cost-sharing agreements in pockets of the GTA and beyond, as the Board can attest through its corporate knowledge and experience.

In the 1970s and 80s, municipal councils both within the GTA and outside found that they had to resort increasingly to an array of indirect tools and latch onto the last morsels of legislative authority in the *Planning Act* to facilitate and enable the financial recovery of costs for the growth related infrastructure at the subdivision stages. They had to do so to avoid excessive and unavoidable burdens on the existing taxpayers. This was the era of “Lot Levies.” The legality, the appropriateness, the trigger points and the quantum of such lot levies charges have been the subject of a variety of appeals before the OMB as well as the Courts. (See for example *Pinetree Development Co. v. Ontario (Minster of Housing) (1976)*, 14 O.R. (2d) 687 (Div. Ct.)).

The *Development Charges Act* enacted in 1989, put an end to some of these uncertainties. It spelt out how and when such charges can be imposed and the studies needed as a prerequisite of their impositions. It set out an appeal mechanism to the OMB in the event that there were disagreements. It eradicated the different practices that varied from municipality to municipality. The Act set out a process and a framework to determine charges and ground rules to resolve these disputes. It avoided the *ad hoc* and improvised mechanisms of capital costs recovery prevalent in the earlier decades of the last century. Last, but not the least, it defined the trigger points. In 1997, a new Act was enacted to replace the earlier Act. We will address in full the thrust of this Act and a number of the relevant provisions of the Act in our subsequent analysis.

It is a truism, but worthy of emphasis, that development charges are completely voluntary. A municipality does not have to adopt this mode of cost-recovery and is free to fund capital infrastructures in conjunction with operational expenses through provincial subsidy, realty taxes, service rates and users' fees, as indeed the practice of Toronto until recently. In big ticket items that fall under the category of "ineligible services" for development charges, such as waste managements and opera houses, municipalities would either borrow or utilise the reserved accounts built up steadily through accumulation of taxes or rates. In major facilities that do not fall into the category of "ineligible services", development charges now form an integral and essential part of financial planning. Typically, when a new facility is authorised by council and before capital borrowing by way of debentures is undertaken, municipal treasurers would routinely ascertain and assess the amount of development charges as a key component of the payment plan.

One other point that is noteworthy: under the Act, the Board's function is appellate. Unlike other matters of municipal finances, ours is not supervisory in the sense that an approval is needed whether or not an appeal is launched. Upon appeal, the Board can only decrease, and cannot increase the amount of charges. Neither can the Board dispense with exemptions. In carrying out the statutory duties at this hearing, this panel is keenly aware of the boundary. Our interpretations of the provisions must be purposive, based on the ordinary meaning of the words in the provisions and within the entire context of the Act so that the intention of the Legislature can be given effect. Our duty is to interpret and apply the provisions; it is not for us to make law or policy.

The "Gross" & "Net" Population

The starting point of our detailed analysis is the concept of the "gross" and "net" population as it is the centre of dispute at this hearing. Mr. Koenig maintains that the increased need of service should be based on the increase of the "gross population." He claims that the earlier methodology of using the increase of the "net population" is a mistake.

There is no dispute at this hearing that the average household size in Ontario has declined over the last four decades due to decline of fertility rates, longer life expectancy and higher divorce rates. Household sizes are expected to continue to

decline in the next two decades as the population continues to age. More empty-nesters, more elderly as well as more single householders are factors of such a decline.

The new methodology is not based on its denial of these demographic trends. Rather, it is based on its repudiation of the earlier notion of the net population as an appropriate basis for the determination of the increase in the need of service and the growth-related forecast. The new approach is to ensure that new development must be made to fund the services it requires. It is also based on the notion that it isn't equitable to allow new development to benefit from the existing services.

Under this approach, as Mr. Koenig indicates repeatedly in the filed statements as well as the *viva voce* evidence, the focus of the Act is based on the increase in the need for services attributable to new development. Therefore, in his view, the focus should be on the demand of services from development; it cannot be based on the forecast of net population.

Ms. Gillezeau disagrees with this approach from several standpoints.

The first prong of her critique is that the scope of the development charges as prescribed by the Act requires an approach that is not in line with this new methodology. Her opinion is tantamount to the assertion that the charges under this approach violates Section 2(1) of the Act. The second prong is that the approach has the effect of funding service increase with a resultant level of service exceeding the 10-year average level of service, contrary to Section S. 5(1)4 of the Act. The third prong addresses the question of the excess capacity created by the population decline. It is her contention that this approach would have glossed over the necessity of making the requisite reduction to account for the municipality's excess capacity. Accordingly, her view is that S. 5(1)5 is violated under this approach. Her final prong is her assertion that the longer impact of the gross population approach would "ratchet up" the level of service and the charging rate. In her view, there would be a planning impact that cannot be ignored, i.e. it would discourage the affordability of the new homes and violate the mandatory and higher order policy of the PPS & Growth Plan.

All these key areas will be addressed next. Before tackling the first area, the Board wishes to make one preliminary finding. It is clear that the Act doesn't refer to either the "gross" or "net" population as a basis of determination. Unlike the educational development charges, the Act allows complete flexibility for municipal council as to the choice of methodology and economic approach in its background studies albeit with some ground rules in relation to deductions and process. However, once the municipality has embarked on a particular methodology such as population, it is open to any appellant to examine the validity of the requisite reasoning, the accompanying concepts, the accuracy of the data and all the logical and consequential trails leading to the final outcomes. In that sense, although municipality has the freedom to choose, the methodology chosen is not immunised from critique, if there are alleged flaws and defects. In such an arena, the Board holds that there is no master to obey but the law; and no constituency to serve but the demands of intellectual vigour.

The Scope or the Limits of the Charges

The first point of our detailed analysis should begin with a discussion of whether the new approach is within the scope of charge. This cannot be had without referring to the context of the current Act. In 1997, a new Act was enacted to replace the earlier Act. From our review, it is clear that the new Act is not a minor or routine house-keeping matter. There are fundamental policy changes at play.

Some of the extrinsic evidence may be helpful in understanding many of the new policy initiatives ushered in this new regime. The remarks made by the Hon. Al Leach, Minister of Municipal Affairs & Housing in relation to Bill 98 on behalf of the government at the standing committee of the legislature are pertinent:

When the original *Development Charges Act* was introduced in 1989, I am sure it was done with good objective in mind. The new Act was going to make municipal council more accountable. It is going to provide a consistent, reliable and fair way for municipalities to recover the costs of the services they provide to new development. These changes would pay for the water and sewer systems, for roads and hydro that were needed before development could even take place....What started out as a fair way for growth to pay for growth has ended with growth paying more than its fair share. It has ended up as a barrier to economic prosperity to this province.

The Technical Information Bulletin prepared by the MMAH regarding the *Development Charges Act* of 1997 states as follows:

The legislation is a framework for a balanced approach to development charges – its provisions represent a fair way to ensure that growths pay for growth and, at the same time, distributes costs more fairly between new and long-term residents of Ontario communities.

A new definition of “ineligible service” has been introduced to exclude certain infrastructure and facilities. Some big-ticket items are out of reach, e.g. waste management, hospitals, museums, theatres and art galleries. With respect to the method of determination of the charges, it has not set out a mandatory methodology. However, there are some restrictive rules introduced that prescribe what must be accounted for and deducted. The entire Section 5 sets out a detailed set of rules which are hitherto not found in the earlier Act. S. 5(1)4 sets out the maximum allowable funding envelope. In the former regime, this was provided for by way of a regulation. Under this provision, a more stringent statutory formulation is now in place: a 10 year average level of service instead of the highest of the 10 year has been installed. Furthermore, S.5(1)5 & 6 provide for new methods of calculation: the concept of excess capacity and the concept of benefit to existing development.

At this hearing, one of the key areas of debate is what can be considered as within the scope of the development charges. S. 2(1) defines the scope. In the Board’s view, it also sets out the *leitmotif* or the recurring theme that has been installed firmly by this and other provisions in the Act as to how development charges should be determined. For the time being, let us scrutinise this subsection, put it in context and see what it means. S.2 (1) states:

(1) The council of a municipality may by by-law impose development charges against land to pay for increased capital costs required because of increased needs for services arising from development of the area to which the by-law applies.

The key wording of the provision must be underlined. Two requirements are present. First, there must be an “increase” in needs and secondly, there must be an “increase” of capital costs because of the increased needs. It is not sophistry but important to consider separately the two related concepts. It is possible to have “increased needs” without increased costs if there is ample available capacity to accommodate the forecasted growth. It is also possible to require “costs increase” when

there is insufficient available capacity to accommodate the increased needs. Comparing this provision with that of the former regime, one can discern that the wording under the present regime is more precise. In the earlier version, “development charges” were defined as a growth-related net capital costs against lands under a by-law passed under Section 3”. “Growth-related capital cost” meant “the portion of the capital cost of the services that are reasonably attributable to the need for such net capital cost that results or will result from development in all or a defined part of the municipality.”

In the Board’s view, Mr. Koenig’s interpretation of the scope of charge slips subtly but decidedly outside what S. 2(1) permits. This is quite critical because his methodology is fastened onto the determination of the services required by the gross population. His emphasis is to ensure that new development must be made to fund the services it requires. On the other hand, it is our finding that the focus of section 2(1) is not on the services required by the new development, as all development requires services. In our view, the subsection ensures and demands that the development charges would be for the increase in costs arising from the increased needs of the service and not for the entitlement or privilege of using the service.

Additionally, we agree with Ms. Gillezeau’s insightful economic analysis of this provision and how her analysis illuminates and breathes life to the meaning of the subsection. She said that such a requirement creates an expectation that a municipality will have an existing inventory of infrastructure that provides for the needs of the municipality’s residents. Development charges can only be exacted to fund the incremental needs arising from the development over and above the existing bundles of services available in the municipality. For the purpose of the calculation of the charges, the services for the new development cannot be assessed in isolation from the services provided in the municipality as a whole, but only in relation to the bundles of services provided by a municipality.

The implication of this analysis makes sense for municipal finance in a larger context. Where there is an existing service in a municipality, an increment can be had. Where there is no availability in a sector of service in a municipality, say for example, a transit service, there is no increase of need possible. If the municipality wishes to fund transit service with development charges at the time of the preparation of the background study when transit is absent and not on any radar of planned functions, the

municipality is precluded from doing so. This is because an introduction of this service sector would benefit all members of the municipality, not just the new residents. It is also because of the requirements of S. 2(1). This does not mean that municipal council cannot undertake that initiative. The municipality is free to fund such a service. However, it must not resort to development charges as a first step. It must turn to other approaches such as capital subsidy, taxation, users' fees or a combination of the above after a proper planning. Once that is done, the foundation would be laid for future development charges for this service sector for the next development charges cycle.

Other sections of the Act affirm this overarching theme of the 1997 Act. S. 5(1)2 states

2. The increase in the need for service attributable to the anticipated development must be estimated for each service to which the development charge by-law would relate.

The extent to which new development would increase the need for services must be estimated. Once again, this subsection's reference is to the increased need and not simply the overall service requirement of the new development. Therefore, the need for service attributable to new development must be assessed in the context of and against the backdrop of the services provided by the municipality as a whole. Similarly S. 5(1)3 states:

3. The estimate under paragraph 2 may include an increase in need only if the council of the municipality has indicated that it intends to ensure that such an increase in need will be met. The determination as to whether a council has indicated such an intention may be governed by the regulations.

S. 3 of O. Reg. 82/98 of the Act also states:

3. For the purposes of paragraph 3 of subsection 5 (1) of the Act, the council of a municipality has indicated that it intends to ensure that an increase in the need for service will be met if the increase in service forms part of an official plan, capital forecast or similar expression of the intention of the council and the plan, forecast or similar expression of the intention of the council has been approved by the council. O. Reg. 82/98, S. 3.

The increased need as required in the calculation of the charges must have a genesis or an audit trail. It must be found as an expressed intent of council of the increase of service through either an official plan or a capital forecast.

In short, we find that the scope of the development charges under S.2(1) is not original, but derivative in that it must be based on the increased needs arising from a bundle of existing needs in the municipality as a whole. We also find that the gross population approach would slip outside the purview of section 2(1) as it would enlarge the scope of the charge beyond what the language of this section can bear.

The Maximum Allowable Funding Envelope

Next, we would turn to the debate as to whether a methodology of calculation using gross population would offend Section 5(1) 4. The paragraph of this subsection states:

4. The estimate under paragraph 2 must not include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 10-year period immediately preceding the preparation of the background study required under section 10. How the level of service and average level of service is determined may be governed by the regulations. The estimate also must not include an increase in the need for service that relates to a time after the 10-year period immediately following the preparation of the background study unless the service is set out in subsection (5).

At the heart of this debate is the contention of Ms. Gillezeau that the use of gross population as a determinant has the effect of funding service increase that will result in the level of service exceeding the average level of service provided in the municipality over the 10-year period immediately preceding the preparation of the background study. In the view of Mr. Koenig, the maximum allowable capital costs should be determined by multiplying the average historic 10-year service level of each of the service by the number of people living in the new units projected to be constructed which are to be added to constitute the aggregate maximum allowable funding costs.

The Board has reproduced on the next page the simplified example of development charge calculation set out by Ms. Gillezeau.

Figure 1 **A Simplified Example of A Development Charge Calculation**

| | | | | |
|--|--------------|------------------------------|-----------------------------|------------------------------------|
| 2008 Population | 100,000 | people | | |
| 2018 Population | 106,000 | people | | |
| "Net" population growth 2008 to 2018 | 6,000 | people | | |
| | | | | |
| New dwelling units | | | Assumed PPU in New Units | "Gross" Population in New Units |
| Singles and Semis | 2,000 | | 3.5 | 7,000 |
| Row | 1,000 | | 2.5 | 2,500 |
| Apartments | 500 | | 1.5 | 750 |
| Total | 3,500 | | | 10,250 |
| | | | | |
| Replacement value of 2008 inventory of facilities | \$20,000,000 | | | |
| 2008 level of service | \$200 | per capita | | |
| Average level of service 1999 to 2008 | \$200 | per capita | | |
| | | | | |
| Calculation of Maximum Allowable and Resulting Level of Service | | | | |
| Maximum allowable capital costs | \$1,200,000 | (6,000 X \$200) | | |
| Total value of 2018 inventory of | \$21,200,000 | (\$20,000,000 + \$1,200,000) | | |
| 2018 level of service | \$200 | per capita | (\$21,200,000 / 106,000) | |
| | | | | |
| Calculation of the Development Charge | | | | |
| Maximum allowable capital costs | \$ 1,200,000 | | | |
| Divided by gross population in new units | 10,250 | | | |
| DC per capita | \$ 117.07 | | | |
| DC for singles and semis | \$ 409.76 | (3.5 X \$117.07) | | |
| DC for row | \$ 292.68 | (2.5 X \$117.07) | | |
| DC for apartment | \$ 175.61 | (1.5 X \$117.07) | | |
| | | | | |
| Total DC revenue | | | | |
| | | Units | DC Rate | Revenue |
| Singles and Semis | | 2,000 | \$ 409.76 | \$ 819,512 |
| Row | | 1,000 | \$ 292.68 | \$ 292,683 |
| Apartments | | 500 | \$ 175.61 | \$ 87,805 |
| Total | | 3,500 | | \$ 1,200,000 |

Figure 2 **A Simplified Example with Calculation of Maximum Allowable Using Gross Population in New Units**

| | | | | |
|--|--------------|------------------------------|--------------------------|--------------|
| Calculation of Maximum Allowable and Resulting Level of Service | | | | |
| Maximum allowable capital costs | \$2,050,000 | (10,250 X \$200) | | |
| Total value of 2018 inventory of | \$22,050,000 | (\$20,000,000 + \$2,050,000) | | |
| 2018 level of service | \$208 | per capita | (\$22,050,000 / 106,000) | |
| | | | | |
| Calculation of Development Charge | | | | |
| Maximum allowable capital costs | \$ 2,050,000 | | | |
| Divided by gross population in new units | 10,250 | | | |
| DC per capita | \$ 200.00 | | | |
| DC for singles and semis | \$ 700.00 | (3.5 X \$200) | | |
| DC for row | \$ 500.00 | (2.5 X \$200) | | |
| DC for apartment | \$ 300.00 | (1.5 X \$200) | | |
| | | | | |
| Total DC revenue | | | | |
| | | Units | DC Rate | Revenue |
| Singles and Semis | | 2,000 | \$ 700.00 | \$ 1,400,000 |
| Row | | 1,000 | \$ 500.00 | \$ 500,000 |
| Apartments | | 500 | \$ 300.00 | \$ 150,000 |
| Total | | 700 | | \$ 2,050,000 |

Fig. 1 is her demonstration of the calculation, using the net increase of population of 6,000 being forecasted. The maximum allowable capital cost is equal to the 10-year historic service level of \$200 per capita multiplied by the forecasted increase in the population over the planning period, being the net increase of 6,000 persons, yielding \$1,200,000. She assumed the entire maximum allowable capital costs of \$1,200,000 is included in the development charges. This amount of new infrastructure is to be built over the 2009-2018 period is added to \$20,000,000, the replacement value of 2008, giving the total of \$21,200,000. The resulting level of service in 2018 is calculated by dividing the projected population of 106,000, yielding a \$200 per capita. This shows that the historic 10-year average level of service has not been exceeded.

Fig. 2 is her demonstration of using the new methodology of the “gross” population. The “maximum allowable capital costs” was calculated by multiplying the 10-year historic service level by the “gross” population in the new units instead of the net increase of population over the planning period. In the Fig. 2, the maximum allowable capital cost is \$2,050,000, being the \$200 per capita times 10,250 persons. If the full costs of the maximum allowable capital cost is included in the development charges, the value of the total 2018 inventory will be the sum of the value of the new facilities plus the replacement value of the 2008 inventory, yielding the sum of \$22,050,000. The impact on the 2018 level of service can be calculated by dividing the projected replacement value of 2018 by the projected population of 2018.

The result is that the 2018 level of service, being \$208 per capita would exceed the 10-year historic average level of service, i.e. \$ 200 per capita. In her view, this demonstrates that using the gross population to arrive at maximum allowable costs would have a result of having a level of service exceeding the level of service provided in the municipality over the 10-year period preceding the preparation of the background study. In her view, the breach is caused by the fact that the new methodology does not take into account the impact of the projected decline in population over the planning period. On the other hand, the approach of using net increase in population will ensure that such an allowance is made for the resulting level of service in the municipality.

Counsel for the municipality argued vigorously that such a demonstration is circular. In his view, Ms. Gillezeau assumed what she purported to prove. The Board sees this as no more than a simplified demonstration that a lack of allowance for

household decline in population will end up with a resultant level of service higher than the 10-year historic average level of service. The accent here is a simplified demonstration and it should go no higher. It is not an algebraic equation where there are no exceptions.

In fact, Mr. Koenig deploys an example where the value of the inventory in 2008 is say, \$16,000,000 instead of \$20,000,000, a case where the 2008 service level is lower than the 10 year historic average. In that scenario, it is his calculation that two results would ensue. In the net population case, by adding \$1,200,000 to the capital programme in future, the service level would be \$162 per capita. In the gross population case, if the capital programme totals \$2,050,000, the service level would be \$170 per capita. Although the gross calculation is higher than the net, both would be less than the 10-year historic level of \$200 per capita.

The Board is not convinced that this scenario has demolished the central thesis of Ms. Gillezeau's. The Board finds that the anomaly stems from the fact that Ms. Gillezeau assumed the 2008 level of service is equal to the historic 10-year average. It therefore comes as no surprise that in Mr. Koenig's scenario, where the 2008 level is lower than the historic average, such results would ensue.

In the actual case of Orangeville, a similar analysis has been undertaken using data from the Background Study and is found in Appendix A to Exhibit 3. For most service sectors, Ms. Gillezeau found that by using the gross population figure to arrive at the "maximum allowable costs" it will result in the 2018 level of service exceeding the average level of service over the 1999-2008 period even after adjustment for excess capacity as of 2008. Fire Service is the exception because of the scale of the difference between the 2008 level of service and the historic 10-year average. Where the "net" methodology is used, in no case does the result of service exceed the 10-year average historic level of service.

Other serious refutations have been provided by Mr. Koenig. He insists that there is no specific indication in the Act that requires a "net" population. That point has been adequately dealt by the Board in our earlier section on "The Gross and Net Population" and there is no need to repeat our reasons for finding that the methodology chosen is not immune from critique. Secondly, he asserts that there is no requirement to assess

service level at the end of the forecast period. In our view, that shows a disregard for the requirement of assessing the resultant level of service as projections for the planning period. The reasons provided by Mr. Koenig are as set out in his statement as follows:

9.6 Service levels at any point in time are the direct result of decisions made by Council to provide capital facilities, including their amount, timing and cost, and the timing and amount of development.

5.6 The direction I take from the DCA is that reference should be made to the historic service levels which form the basis for determining the maximum funding envelopes and not estimated future service level.

Naturally, actual service levels will depend on decisions made by council to provide for capital infrastructure over the decade to be forecasted. However, background study addresses the future, it must, *ipso facto*, utilise projections and estimates. Although the future service levels are not known with certitude and may be affected by the vicissitude of future actions, they must be ascertained and estimated, using the best information one possesses, for the sake of determination in the resultant level of service as the provision requires. In our view, the fact there may be uncertainty does not allow one to abdicate from the responsibilities of properly estimating the future level of service, which in some ways are dictated by entrenched planning documents and capital programs made in the past.

Two other ancillary findings are to be made by this panel. The first relates to the consideration of development charges in the long run: the point made by Ms. Gillezeau that the gross population methodology will “ratchet up” the level of service and the future development charges rate. In our view, this is a very compelling forecast. Once the gross population methodology is accepted as an orthodoxy, the 10-year historic level of service will be elevated, the maximum allowable capital costs would have no way to go but up and the rate increase would follow as a logical consequence. This forecast will remain true even if the municipality is actually losing population.

The second point is related: when the maximum allowable costs can be determined by using the gross population figure as a determinant, there would not be allowance made for the excess capacity caused by the decline of household population. In fact excess capacity will not be a requisite consideration as an implication for the

resultant level of service for the municipality. This subject will be a matter we address next. Nonetheless, we want to point out that the utilisation of the “gross population” concept has a ubiquitous implication within the Act, and beyond any single provision.

In an overall sense, it is our conclusion that in the case of Orangeville, the use of the gross population methodology will have an effect of funding service increase that will result in the resulting level of service higher than what is permitted in S. 5(1) 4.

Excess Capacity

Part and parcel of the Town’s new methodology is the insistence that the decline of population does not free up the excess capacity and that if such excess capacity exists, it should be reserved for the existing population.

In both the oral and written evidence, Mr. Koenig drives home these similar points. In paragraph 5.4 of his written statement materials, Mr. Koenig states succinctly all the propositions relating to this topic:

Excess capacity as used in the DCS and clarified by the regulation, in my opinion, is quite narrowly defined and is capacity that has already been created by actions of council and is unrelated to population changes in the future. In my view, the DCA requires consideration in a limited circumstance (O. Reg. 82/98 s. 5). The concept of excess capacity is not something that occurs in the future as a result of declining population as defined by the appellant in existing homes. In my opinion, any capacity becoming available from a decline in population in existing housing units should be left to the benefit of the existing community who paid for the existing facilities (which is what occurs using the gross population methodology).

The Board finds several flaws in these conceptual formulations.

The first flaw is the assumption that excess capacity is unrelated to population decline. In our view, this assumption is indefensible. As the population of existing homes goes into decline, capacity will be freed up. It is true for sewer, water and roads. It is equally true for soft services such as police, public works and recreational quarters. A municipality that experiences a steeper decline would free up greater capacity. The use of a net population for the calculation of growth-related forecast is to ensure that future servicing plans are not based on a higher level of population that will come from only the new homes; but from a lower level that takes into account the expected decline.

Such an approach is not only prudent, but necessary to ensure that infrastructure will not be over-built. Furthermore, and that is of utmost important, it is required by the Act. Section 5(1)5 of the Act, 1997 states:

5. The increase in the need for service attributable to the anticipated development must be reduced by the part of that increase that can be met using the municipality's excess capacity, other than excess capacity that the council of the municipality has indicated an intention would be paid for by new development. How excess capacity is determined and how to determine whether a council has indicated an intention that excess capacity would be paid for by new development may be governed by the regulations.

Section 5(1)6 reinforces that requirement:

6. The increase in the need for service must be reduced by the extent to which an increase in service to meet the increased need would benefit existing development. The extent to which an increase in service would benefit existing development may be governed by the regulations.

On the other hand, a development charge that is based on the calculation of the gross population cannot help but to offend s. 5(1)5. As the decline is not accounted for, there would be an excess capacity unreduced and continue to grow over time as long as it is not allowed to meet the needs for the growth.

The second flaw is the assumption that the assessment of excess capacity should be unrelated to the future; but only to the date of the background study. In his oral evidence, it is abundantly clear that Mr. Koenig is wedded steadfastly to the notion of the "existing surplus capacity." The Board finds that S. 5(1)5 does not freeze the deductions to the date of the background studies. If the amount of capacity changes over the planning period due to falling household size, the impact to the increase of service needs that can be met without further expansion should be assessed. The estimate of the anticipated amount of development and the increase in need attributable to anticipated development as required by Section 5(1) of the Act are estimates of the future. The concept of excess capacity must be related to the future. This does not take away the ability of a municipality to oversize a facility for future growth. Section 5 of O. Reg. 82/98 provides for excess capacity that is committed for growth:

S. 5. For the purposes of paragraph 5 of subsection 5(1) of the Act, excess capacity is uncommitted excess capacity unless, either before or at the excess capacity was created, the council of the municipality expressed a clear intention that the excess capacity would be paid for by development charges or other similar charges.

The third flaw lies in the notion that excess capacity should be narrowly defined and therefore should not be easily within reach for deductions. The Act does not provide a definition of the Excess Capacity. S. 5(1)5 of the Act requires a consideration of excess capacity and does not limit or restrict. Likewise, the regulation O. Reg. 82/98 does not define excess capacity, but describes only one exception where a reduction of excess capacity is not required, i.e. the “committed capacity”. Otherwise, the Board does not see any compelling reason why excess capacity must be narrowly construed.

The fourth flaw is the mistaken assumption that one level of service provided for the residents of new homes can be separated from the level of service of existing homes. On this point, Ms. Gillezeau made her critique vigorously, both in her oral evidence and written statement. She maintains that one simply cannot address the level of service of new residents in isolation.

She observes that in this town, new developments are to be dispersed throughout as opposed to being concentrated in distinct pockets. Furthermore, she cites a number of examples that show that growth-related capital programme in Orangeville include facilities to be used by all residents of the Town, regardless of when and where their homes are constructed. The new police headquarter opened in 2006, the Alder Street Library opened in 2003, the Alder Street Recreation Centre opened in 2003 have been and will continue to be providing to existing residents and new residents over the 2009-2018 planning period. Similarly for the new facilities in the capital programme, such as the multi-sport fields for soccer and lacrosse, and the development of ORDC Trail, the public works operation centre at 500C-Line are to provide for residents new and existing alike.

The Board finds that unlike a sprawling Metropolis, all residents in Orangeville, new and existing can have unimpeded access for most facilities in town as there would not be distance impediments. This feature of universality is most pronounced in such a compact locale. Seen in this light, the Board finds the notion of reserved capacity for the existing population as opposed to new residents is highly contrived. More importantly,

we find that the distinction of new and existing residents on the basis of contribution to the existing level of services is somewhat artificial as well. The Board is presented with the evidence that the 2006 Census discloses that some of the residents of older homes have moved to Orangeville recently. 1775 units out of the 8440 units built before 2001 was occupied by households that had moved to Orangeville within 2001-2006. In addition, there is decline of population occurs both in older and newer homes over time as indicated in Appendix B of Exhibit 3. There is no compelling reason why there should be such differential treatments given the shades of complexity as delineated by the Census data.

Finally, there is the theory of unmet demands which, in our view is related to Mr. Koenig's discussion of excess capacity. In his evidence, Mr. Koenig maintains that in Orangeville, while there may be excess capacity, there are also unmet demands, from the needs of the existing older age groups and the female gender. These groups have been more active and would demand more and different facilities. Examples include walking trails, therapy pools and different recreational facilities. Some of the demands are partially elicited by the Town's initiatives. The Board is unsure whether from a qualitative or a quantitative perspective, the unmet demands will negate or lessen the excess capacity. Apart from the recreational sector, the unmet demand theory has not been applied to other sectors, such as police and public works. In that sense, this theory is incomplete insofar as it has any impact to the notion of excess capacity. More importantly, this might again sound like a penetrating glimpse to the obvious. If new demands require service level increase, the municipality is always free to do so, provided it can seek a proper source of funding.

In many respects, the lack of consideration of the excess capacity as required by S 5(1)5 is the Achilles' heel of this new methodology. The calculation based on the gross population is predicated on the un-stated assumption that the real population level of a municipality is somehow irrelevant. In the face of the non-controverted trend of demography, such an approach defies reality.

The Higher Order Planning Instruments

In her critique of the new methodology, Ms. Gillezeau cites the PPS and the Growth Plan as support for her notion that efficient, cost-effective use of infrastructure

and the notion of optimization of these facilities are important themes of these higher order of planning instruments. She also enlists the notion of housing affordability and lower costs of housing in these documents. In her view, these support her thesis that the infrastructure should not be overbuilt, that development charges should not be deployed imprudently so as to affect affordability and the gross population approach may lead to such over-charges.

The Board wants to make the following findings. These themes she cites are largely “good house-keeping,” rules in the sense that they are the underpinning of good planning in a larger sense. They are principles binding on any decision maker and are to be observed with punctilio as required by the provisions of these documents and by virtue of S. 3(5) of the *Planning Act*. We are aware that it is hard to refute that development charges are related to the larger contexts of planning and that the policies of the PPS and the Growth Plan can be engaged in matters relating to development charges.

However, in addressing matters of development charges, the primary document one must examine is the Act and the focus should not stray or slip unduly into extraneous areas without a compelling reason. These higher orders of instruments contain policies with both detailed provisions and general policies. Where the policies are pertinent to subjects like development charges, they are usually general policies. As such, they are too Olympic, too general and too broad-brushed for specific utility. The dispute before the Board at this hearing cannot be resolved by a finding as to whether housing affordability can be affected by the increase or decrease of the rate of development charges; or a general discussion as to whether municipality has optimised the infrastructures. For the purpose of this hearing, the conclusions on these questions can marginally affect the outcomes of the issues before us. This is not to say that the housing affordability or optimisation of resources are “no-go” in development charges disputes - they may well be; but they require a completely different framework set out by the parties and a re-calibrated baseline of evidence before the Board can seriously entertain them

For these reasons, the Board finds that this panel need not address the issues in this area. Good house-keeping, like good manners is best left to understatement.

Conclusion

The Board is keenly aware that the evolution of the development charges is a history of when, how and to whom the capital costs of new infrastructure can be allocated. Now that the development charges has been enshrined in a statutory form, the flux and change of the Act will reflect how this form of municipal finance adapts to the changing times and the public needs. Within this context, the Legislature has been treading carefully between allowing growth paying for growth and avoiding an overburden on a sector of housing, and ultimately a sector of residents. How to maintain the equipoise is not only an art of political economy, but a feat of finance. The Board, with a long view of municipal matters, knows that the current Act, the 1997 Act is but a transitory and contingent version of what will transform and mutate continuously in the years to come. The current Act contains provisions that preponderate against an overuse of the charges where the legislature has installed a measured boundary in the calculation of the charges. The dispute at our hearing attests to the tensions and reflexes between the competing interests as foreseen and contemplated by the crafters of the Act.

The following summarises our important findings.

Firstly, the scope of the development charges as prescribed by S. 2(1) of the Act requires an approach that is not in line with this new methodology. We also conclude that the scope of the development charges under S. 2(1) is not original, but derivative in that it must be based on the increased needs arising from a bundle of existing needs in the municipality as a whole. The provision also requires not only the increased needs, but the increased costs because of the increased needs. The new methodology using the gross population approach would allow a charge not based on increased needs, but based on simply the overall service requirement of the new development. It would enable the charge to slip outside the purview of Section 2(1) as it would enlarge the scope of the charge beyond what the language of this section can bear.

Secondly, we conclude that the new approach in Orangeville is not consistent with the requirements stipulated in S. 5(1)4 of the Act in that it has the effect of funding service increase that will result in the level of service exceeding the average level of service provided in the municipality over the 10-year period immediately preceding the preparation of the background study. The calculation of the maximum allowable funding costs by using the number of people living in the new units as opposed to net population as a determinant is not an approach that would be commensurate with the statutory requirement given the demographical trend. This methodology has also a longer effect once the gross population methodology is accepted as orthodoxy.

Thirdly, we conclude that a development charge that is based on the calculation of the gross population cannot help but to offend S. 5(1)5. As the decline of the population is not accounted for, there would be an excess capacity unreduced and continue to grow as long as it is not allowed to meet the needs for the growth. We find that the estimate of the anticipated amount of development and the increase in need attributable to anticipated development as required by Section 5(1) of the Act are estimates of the future planning period. The concept of excess capacity must relate to the future period as well. The Board finds the notion of reserved excess capacity for the existing population contrived and the distinction of new and existing residents on the basis of contribution to the existing level of services artificial. The Board is unsure whether from a qualitative or a quantitative perspective, the unmet demands advanced as a theory by Mr. Koenig will act to negate or lessen the excess capacity. The unmet demand theory is at best incomplete.

All of our findings are based on the application of the spirits and letters of the relevant provisions of the Act. When this panel speaks of the *leitmotif* earlier, we have in mind the inter-related links of this recurring theme set out by these various provisions and the importance of appreciating the links. Our interpretations of the provisions are purposive, based on the ordinary meaning of the words in the provisions and within the entire context of the Act so that the intent of the Legislature can be given effect.

In conclusion, the Board will allow the appeal and Orders to replace the development charge rates in Schedule B of By-law 78-2009 with the rates shown in Figures 7 & 8 of Exhibit 3.

“S.W. Lee”

S.W. LEE
EXECUTIVE VICE-CHAIR

“K.J. Hussey”

K.J. HUSSEY
MEMBER

APPENDIX E



SUPERIOR COURT OF JUSTICE DIVISIONAL COURT

Osgoode Hall
130 Queen Street West
TORONTO, ONTARIO M5H 2N5
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| | | | |
|---------------|--|-----------------------|---|
| To: | R. G. Doumani Tom Friedland | Fax: | 416-863-1515 416-979-1234 |
| From: | Nina Dixon Divisional Court | Date: | March 21, 2011 |
| Re: | File # DC 464/10 | No. Pages: | 7 |
| Urgent | For Review | Please Comment | Please Reply Please Recycle |

Enclosed, please find a copy of the endorsement for the motion heard on March 2, 2011 by the Honourable Justice Swinton.

If you require further assistance please contact Nina Dixon at 416- 327- 5100.

Thank you kindly,

N. Dixon
Divisional Court

COPY

CITATION: Orangeville District Home Builders Association v. The Corporation of the Town of Orangeville, 2011 ONSC 1639
DIVISIONAL COURT FILE NO.: 464/10
DATE: 20110321

**SUPERIOR COURT OF JUSTICE - ONTARIO
(DIVISIONAL COURT)**

RE: ORANGEVILLE DISTRICT HOME BUILDERS ASSOCIATION
(Appellant/Responding Party)

- and -

THE CORPORATION OF THE TOWN OF ORANGEVILLE
(Respondent/Moving Party)

BEFORE: Justice Swinton

COUNSEL: Tom Friedland and Robert Howe for the Appellant/Responding Party
R.G. Doumani, for the Respondent/Moving Party

HEARD at Toronto: March 2, 2011

ENDORSEMENT

Swinton J.:

[1] The Corporation of the Town of Orangeville (“the Town”) seeks leave to appeal the decision of the Ontario Municipal Board (“the Board”) dated September 3, 2010. The Board allowed an appeal by the Orangeville District Home Builders Association (“the Builders”) from Development Charge By-law 78-2009 and reduced the development charges that the Town could impose.

[2] Development charges are imposed, by municipal by-law, on land proposed for development in order to recover capital costs for services required as a result of the new development. The *Development Charges Act, 1997*, S.O. 1997, c. 27 (“the Act”) and O.Reg. 82/98 (“the Regulation”) govern the imposition of development charges.

[3] The Town, in its 2009 by-law, adopted a “gross population” methodology for calculating development charges based on the increased capital costs for “soft services” arising from new development. “Soft services” include park development, indoor recreation, libraries, transit, police, fire and public works. This methodology calculates the servicing needs and their resultant

capital costs solely on the basis of the total population projected to live in new residences in the municipality. The effect is to require the new development to fund the services it requires.

[4] On an appeal by the Builders, the Board held that the Act required the use of the “net population” methodology, the methodology which the Town had used prior to 2007. This methodology calculates the development charge by subtracting the future estimated decline in population in existing homes from the population in the new homes in order to determine the servicing needs and resultant capital costs from development. This methodology contemplates that the increase in the need for services caused by new development will be offset by capacity freed up in existing facilities because of the decline in population in existing housing units caused by declining average household size.

[5] An appeal from a decision of the Board lies to the Divisional Court only on a question of law and with leave of the Court (*Ontario Municipal Board Act*, R.S.O. 1990, c. O.28, s. 96(1)). The test on a leave application has been articulated as follows: the correctness of the decision must be open to “substantial doubt”, and the point of law must be of sufficient importance to merit the attention of the Divisional Court (*Mod-Aire Homes Ltd. v. Bradford (Town)* (1990), 72 O.R. (2d) 683 (Div. Ct.) at para. 31).

[6] Were leave granted here, the Divisional Court would review the decision on a standard of reasonableness, given that the Board is a specialized tribunal with expertise in planning and land use, including the financing of land development and the application of development charges (see *Jaywill Investments Inc. v. Halton (Region)* (2008), 50 M.P.L.R. (4th) 148 (Div. Ct.) at para. 13; *Eastpine Kennedy-Steeles Ltd. v. Markham (Town)* (2004), 45 M.P.L.R. (3d) 14 (Div. Ct.) at para. 42). Therefore, in assessing the merits of the decision and determining whether leave to appeal should be granted, it is appropriate to bear in mind the standard of review that would be applied on an appeal. As Lax J. stated in *Toronto (City) v. 2059946 Ontario Ltd.* (2007), 38 M.P.L.R. (4th) 176 (Div. Ct.) at para. 3, “[W]hen considering leave to appeal, some measure of deference commensurate with the degree of independence and expertise of the Board is required...”. See, also, *Speyside East Corp., Re*, 2010 ONSC 4713 (Div. Ct.) at para. 9.

[7] The Town submitted that the proposed appeal raises an issue of general importance, as this decision of the Board involving the gross population methodology is the first of many similar proceedings before the Board. While I recognize that the issue is of importance, leave must not be granted unless there is substantial doubt about the correctness of the decision.

[8] The Board held a five day hearing, in which it heard expert evidence. In reaching its decision, the Board had to interpret s. 2(1) of the Act, as well as s. 5(1)2, 4 and 5. Subsection 2(1) confers the general authority to impose a development charge. It reads:

The council of a municipality may by by-law impose development charges against land to pay for increased capital costs required because of the increased needs for services arising from development of the area to which the by-law applies.

[9] While no particular methodology is specified by the Act, s. 5(1) sets out certain requirements for the calculation of development charges. Paragraphs 1, 2, 4 and 5 read:

1. The anticipated amount, type and location of development, for which development charges can be imposed, must be estimated.

2. The increase in the need for service attributable to the anticipated development must be estimated for each service to which the development charge by-law would relate.

4. The estimate under paragraph 2 must not include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 10-year period immediately preceding the preparation of the background study required under section 10. How the level of service and average level of service is to be determined may be governed by the regulations. The estimate also must not include an increase in the need for service that relates to a time after the 10-year period immediately following the preparation of the background study unless the service is set out in subsection (5).

5. The increase in the need for service attributable to the anticipated development must be reduced by the part of that increase that can be met using the municipality's excess capacity, other than excess capacity that the council of the municipality has indicated an intention would be paid for by new development. How excess capacity is determined and how to determine whether a council has indicated an intention that excess capacity would be paid for by new development may be governed by the regulations.

[10] Section 5 of O.Reg. 82/98 deals with uncommitted excess capacity as follows:

For the purposes of paragraph 5 of subsection 5(1) of the Act, excess capacity is uncommitted excess capacity unless, either before or at the time the excess capacity was created, the council of the municipality expressed a clear intention that the excess capacity would be paid for by development charges or other similar charges.

[11] Before a development charge by-law can be adopted, the municipality must prepare a development charge background study which sets out the detailed estimates and calculations required by s. 5(1). In the present case, the study obtained by the Town dated June, 2009 covered a 10 year future study period.

[12] The Town takes the position that the Board's interpretation of the Act is incorrect and falls outside the range of admissible statutory interpretations.

[13] The Builders submit that the decision is both reasonable and correct. In any event, before leave can be granted, this Court must find that there is reason to doubt the correctness of the

Board's finding that the gross population methodology offended *each* of three provisions of the Act – namely, s. 2(1) and s. 5(1)4 and 5. If the Board correctly held that the gross population methodology was inconsistent with any of the provisions, leave should be denied.

[14] The Board concluded that the gross population methodology was inconsistent with s. 2(1). It took note that development charges can only be used to fund “increased capital costs” required because of “increased needs” for services arising from development. According to the Board, that requires a consideration of both existing services in the municipality and a determination of the *increased* needs caused by development, having taken into account existing services. In its words (at p. 10 of the Reasons):

In our view, the subsection ensures and demands that the development charges would be for the increase in costs arising from the increased needs of the service and not for the entitlement or privilege of using the service.

[15] The Board concluded that the gross population methodology is not permissible under s. 2(1) because it focuses only on the need for services and not the increase in needs, and therefore, the increase in capital costs caused by the development. As it stated at p. 9 of its Reasons, “It is possible to have ‘increased needs’ without increased costs if there is ample available capacity to accommodate the forecasted growth”. Its view was bolstered by its consideration of s. 5(1)2, which requires the municipality to determine the “increase” in the need for services attributable to development, rather than speaking of the overall service requirements of the new development.

[16] The Town argues that the Board read words out of ss. 2(1) and 5(1)2, having failed to focus on “arising from the development” and “attributable to the anticipated development”. Instead of considering the causal connection between the development and the need for services, the Board is said to have read in “incremental” need or “net” need.

[17] In my view, the Board neither read in words, nor read out words in s. 2(1). When s. 2(1) is read as a whole and in light of the Act's purpose, as the Board did in accordance with modern principles of statutory interpretation, it is evident that development charges can only be imposed for *increased* capital costs arising from or caused by the *increased* need for services caused by development. The Board recognized that the Act is not concerned with the services that the development needs in isolation. A development charge may only be imposed if the new development results in an increase in the need for services in the broader context of the services already offered in the municipality. That was a reasonable interpretation. Indeed, in my view, its correctness is not open to serious debate.

[18] The Board also held that s. 5(1)4 sets out the maximum funding envelope based on the 10 year average level of service in the past and found that, in the case of the Town of Orangeville, the net population methodology would result in an increase in the level of services that is not permitted by this paragraph (Reasons, pp. 15 and 17). While the Town takes issue with that conclusion, it is a finding of fact based on the expert evidence before the Board. Findings of fact which have a basis in the evidence cannot be the subject of an appeal to this Court.

[19] The Town argued that the Board improperly looked forward 10 years in determining whether there would be an increase over average service levels. I see no error of law by the Board. It had to look both forward and backward to determine whether the proposed development charge based on gross population would result in a higher level of service than in the earlier period. It relied on the wording of s. 5(1)4, which references the level of service that would "result" from the estimate under s. 5(1)2 (that is, the estimated increase in the need for service attributable to anticipated development).

[20] The Town relies on a technical bulletin released by the Ministry of Municipal Affairs and Housing following the proclamation of the Act that describes the steps to be taken in calculating a development charge. I do not see how this Ministry document assists in the interpretation of the words of the Act and, in particular, in determining whether the gross population methodology is permissible under the Act.

[21] The Town argues that the Board erred in its application of s. 5(1)5, because it found that account must be made for excess capacity created by a declining population. According to the Town, excess capacity is defined narrowly in the Regulation to mean surplus capacity that is known to exist before or at the time the capital cost is incurred. That excess capacity is uncommitted unless the council has expressed a clear intention that the excess shall be funded by development charges.

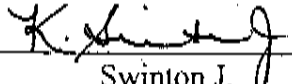
[22] The Board rejected a narrow interpretation of excess capacity, reading s. 5 of the Regulation as only one exception where excess capacity is not taken into account – that is, the "committed capacity" exception (Reasons, p. 19). It described as "contrived" the argument that excess capacity caused by the decline in population was reserved to the existing residents (Reasons, p. 23). The Board also made a finding of fact that the projected decline in the population in the Town's existing housing units will create excess capacity for purposes of s. 5(1)5.

[23] The Town argues that the Board's interpretation leads to an absurd result, as the expert witnesses for both the Town and the Builders agreed that it was impossible for a municipal council to make a determination whether capacity was committed or not in respect of excess capacity resulting from population decline.

[24] However, the Board determined that the committed capacity exception applied only in the situation where there is overbuilding – for example, construction of a larger ice arena than is currently needed – with the intention that the excess capacity will be funded in the future by development charges. It gave detailed reasons as to why capacity freed up because of population decline must be taken into account in setting the development charges for the Town of Orangeville.

[25] The Board's conclusion that the Town's by-law was not authorized by the Act was a reasonable one, based on the wording and purpose of the Act and the Board's findings respecting development and services in Orangeville. In my view, the correctness of the decision is not open to substantial doubt.

[26] Therefore, the motion for leave to appeal is dismissed. As agreed by the parties, costs to the Builders are fixed at \$20,000.00, inclusive of HST and disbursements.


Swinton J.

Released: March 21, 2011

ISSUE DATE:

July 2, 2013



PL080993

APPENDIX F

Ontario Municipal Board
Commission des affaires municipales de l'Ontario

1477677 Ontario Ltd (Baywood Homes) has appealed to the Ontario Municipal Board under subsection 34(11) of the *Planning Act*, R.S.O. 1990, c.P13, as amended, from Council's refusal or neglect to enact a proposed amendment to Zoning By-law 438-86 of the City of Toronto to rezone lands respecting 1093 Queen Street West from MCR T3.0 R2.5 C1.0 to RA to permit the development of a 9 storey mixed use building.
OMB File No.: PL080993

APPEARANCES:

Parties

City of Toronto

1093 Queen Street West
Residences Inc.

Counsel

T. Wall

D. Bronskill
J. Hoffman (student-at-law)

DECISION DELIVERED BY R.G.M. MAKUCH

[1] The parties advised the Board prior to the commencement of the hearing that they had settled their difference with the exception of the adjudication of the issue as to what amount, if any, is payable by 1477677 Ontario Ltd. (Baywood Homes) ("Applicant/Appellant"), pursuant to Section 37 of the *Planning Act* ("Act") in respect of this development.

[2] The Applicant/Appellant has proposed a nine storey mixed use building with commercial uses at grade and residential uses above located at 1093 Queen Street West on the southwest corner of Queen Street West and Dovercourt Road. The proposal has an overall height of approximately 28 metres to the top of the mechanical penthouse. It proposes to contain 135 dwelling units, 956 sq m of non-residential space at grade, and 172 parking spaces in four levels of below grade parking. The subject property is currently zoned MCR T3.0 R2.5, C1.0 permitting mixed commercial-residential development up to a total density of 3.0 times the area of the lot, with a maximum residential density of 2.5 times the area of the lot and a maximum commercial

density of 1.0 times the area of the lot. The height limit is 16.0 metres and is subject to a 45 degree angular plane rising inward over the lot from 13 metres above the north and east property lines. The building podium reflects the scale of the Great Hall on the east side of Dovercourt Road and then steps down to two storeys along Queen Street West to reflect the scale of the Carnegie Library immediately to the west of the site.

[3] The Board is satisfied based on the un-contradicted evidence of T. Volpentesta, the professional land use planning consultant for the Applicant/Appellant, that the proposed development represents appropriate land use planning. The proposed development is consistent with the Provincial Policy Statement 2005 and does not conflict with the Growth Plan for the Greater Golden Horseshoe.

[4] The subject lands are located in a "Regeneration Area" designation under the City's Official Plan and the proposal conforms to the relevant policies under that designation. It also meets the major objectives of the Garrison Common North Secondary Plan. The proposal currently before the Board was supported by the City's Planning Department.

[5] Where the parties disagree is with respect to the City's determination that a s. 37 contribution of \$260,000 is appropriate for this development to be apportioned as follows:

- i) \$25,000 for improvements/realignment of the Dovercourt Road and Sudbury Street intersection;
- ii) \$235,000 to be allocated towards:
 - a) affordable dwelling units and/or affordable work studios for artists, either owned or operated by a not for profit management organization approved by the Chief Planner in consultation with the Executive Director, Toronto Culture;
 - b) the design and/or construction of Lisgar Park; and/or
 - c) public art in the vicinity of the site.

[6] The Applicant/Appellant is opposed to the inclusion of this requirement in the amending zoning by-law and argues that the Board may make any decision that the Council could have made in this case.

[7] The City's position is quite straight forward, it maintains that this is a case where s. 37 is applicable and that the Official Plan policies as outlined in s. 5 provides the proper policy context respecting the contribution it is requesting in this case. It maintains that the current proposal provides for the development of approximately 3,858 sq m over and above the as of right permission.

[8] Section 37 of the Act provides that municipalities may under certain circumstances authorize increases in height and density in exchange for community benefits. It reads as follows:

37. (1) Increased density, etc. provision by-law

The council of a local municipality may, in a by-law passed under section 34, authorize increases in the height and density of development otherwise permitted by the by-law that will be permitted in return for the provision of such facilities, services or matters as are set out in the by-law.

(2) Condition

A by-law shall not contain the provisions mentioned in subsection (1) unless there is an official plan in effect in the local municipality that contains provisions relating to the authorization of increases in height and density of development.

(3) Agreements

Where an owner of land elects to provide facilities, services or matters in return for an increase in the height or density of development, the municipality may require the owner to enter into one or more agreements with the municipality dealing with facilities, services or matters.

[9] The City's Official Plan at Chapter Five (paragraph 5.1.1) contains policies for obtaining community benefits in return for increased height and/or density than is otherwise permitted. The policies are as follows:

1. Zoning by-laws, pursuant to Section 37 of the *Planning Act*, may be enacted to permit more height and or density for a use that is otherwise

permitted by the Zoning By-law for that use in return for the provision of community benefits in the form of capital facilities to be set out in the Zoning By-law together with the related increase in height and/or density, subject to the following:

- a) the capital facilities must bear a reasonable planning relationship to the increase in the height and/or density of a proposed development including, at a minimum, having an appropriate geographic relationship to the development and addressing planning issues associated with the development;
 - b) the development must constitute good planning, be consistent with the objectives and policies of this Plan, and comply with the built form policies and all applicable neighbourhood protection policies; and
 - c) the use of Section 37 must be contingent upon adequate infrastructure to support the development.
2. Subject to the provisions of Policy 3, an owner may elect either to develop at such increased height and/or density as may be permitted by the Official Plan in return for providing specified capital facilities in accordance with Policy 1 or else to develop in accordance with the height and density permitted by the Zoning By-law in the absence of any such increase(s). Where the owner elects to provide the capital facilities, they will be secured in one or more agreements that are registered on title to the lands.
3. Except as contemplated in Policy 5, if the applicable zoning has not been updated to implement this Plan or where a change of use is proposed, then the City will consider whether additional height and/or density beyond that permitted by the Zoning By-law for the use is warranted without recourse to Section 37 of the *Planning Act*. However, in all cases, where a Secondary Plan or area specific policy contains explicitly stated base value from which increased height and/or density may be permitted in

return for certain capital facilities, then that base value will be used instead of the density permitted by the Zoning By-law.

4. Except as contemplated in Policy 5, Section 37 may be used for development, excepting non-profit developments, with more than 10,000 m² of gross floor area where the zoning bylaw amendment increases the permitted density by at least 1500 m² and/or significantly increases the permitted height.
5. Despite policies three and four, Section 37 may be used, irrespective the size of the project or the increase in height and/or density:
 - a) to conserve heritage resources or rental housing in accordance with the provisions of this Official Plan;
 - b) to replace rental housing in accordance with the provisions of this Official Plan;
 - c) where secondary plan or area specific policies in this Plan contained Section 37 provisions that prevail;
 - d) as a mechanism to secure capital facilities required to support development; or
 - e) as may otherwise be agreed upon, subject to the policies contained in this Section.

[10] M. Prejel, the Senior Planner for the City testified that all of the thresholds under Section 5.1.1 of the Official Plan were met by this proposal.

[11] The amount payable was calculated by multiplying the proposed gross floor area ("GFA") above the current zoning permission (3,858 sq m) with a rate per square metre (\$67.40 per sq m) for a total contribution of \$260,000.00. The rate per square metre was arrived at by averaging the rates set out in Exhibit 4, which is a compilation of various projects in which the City reached an agreement with the developer for the payment of voluntary s. 37 contributions. This exhibit lists the works (in each case) for which a contribution was received as well as the rate per square metre paid by the

developer. The average contribution was \$70.00 per sq m of additional gross floor area.

[12] Ms. Prejel says \$260,000.00 consistent with contributions made by other developers in this area of the City. She is also of the opinion that an official plan amendment would be necessary if no s. 37 contribution is made and that there was no need to update the zoning by-law to implement the Official Plan policies.

[13] It is noted that there is no policy in the Official Plan, which establishes a formula for calculating the amount of the contribution payable by a developer when the City deems a contribution is payable.

[14] David Bronskill maintains that s. 37 is grounded in the requirement for specific fair, transparent and predictable requirements in the Official Plan for the calculation of any s. 37 contribution by a developer of land. He argues that there is no method set out anywhere in the planning documents or reports to Council to explain how the \$260,000.00 amount was arrived except for Exhibit 4 referred to above, which the Applicant/Appellant only became aware of at this hearing. He maintains that prior to the hearing, the Applicant/Appellant had never been provided with an analysis such as Exhibit 4 to establish the basis for the \$260,000.00 required by the City.

[15] While it is clearly the City's prerogative as to whether or not it will require contributions in return for increases in height and density, there is no framework set out in any of the planning documents outlining when, where, or how much and for what purpose a contribution will be required.

[16] Mr. Volpentesta, the land use planning consultant for the Applicant/Appellant testified that in his opinion this is not an appropriate case for City Council to be seeking a s. 37 contribution given that the zoning by-law was never brought up to date following an amendment to the Official Plan. The subject lands are located in a "Regeneration Area", a designation which looks to encourage revitalization and intensification. He believes that the subject lands are vacant and as such are very much underutilized. An investment in this property will be beneficial to the neighbourhood. While s. 37 does not distinguish between residential and commercial development, he does not believe that the GFA attributable to the commercial component should be included in a calculation of

total GFA for purposes of a s. 37 contribution since the commercial portion of the development would not be an additional burden on community services.

[17] He is also of the opinion that a contribution should only be payable for the portion of the project over 10,000 sq m. He states that if the application had been revised to below 10,000 sq m, then no s. 37 contributions would have been payable. He maintains that it only makes sense to suggest that a contribution should only be made on the 635 sq m that exceed the 10,000 sq m. He also points out that if the retail component were to be taken out of the development, the overall GFA falls below 10,000 sq m and no s. 37 contribution would be payable.

[18] The Board is not satisfied that the City has set out specific, fair, transparent and predictable requirements in its Official Plan as to when, where, or how much and for what purpose a contribution will be required under s. 37 by a developer of land. While Exhibit 4 does provide some particulars as to how the amount of the contribution was calculated in this case, it falls short of being considered fair, transparent and predictable under the circumstances. It is not a primary document from the City setting out how such contributions should be calculated. Furthermore, the subject lands are situated in a "Regeneration Area", where one would expect additional density to be permitted to spur on development.

[19] Accordingly, the appeal is allowed in part and Zoning By-law No. 438-86 is amended in a form substantially in accordance the draft by-law set out at Exhibit 3, Tab 10, p. 156. The Board will withhold its Order until such time as it receives an amended by-law, which reflects this decision.

"R.G.M. Makuch"

R.G.M. MAKUCH
MEMBER

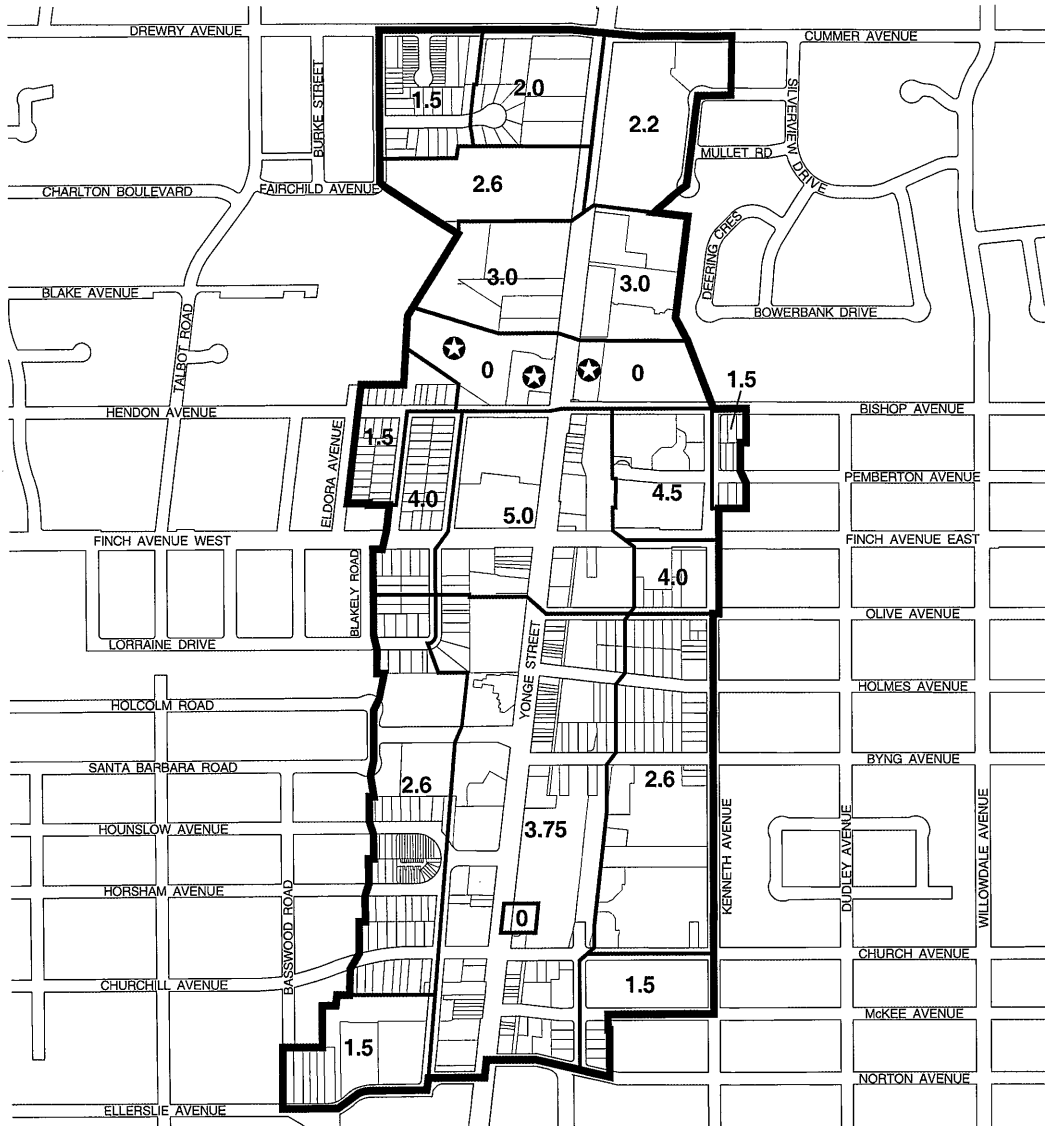
- (a) Figure 3.3.1 shows the complete list of incentives for the provision of specific uses and facilities. The gross floor area of such facilities is exempted from the calculation of density, to the extent provided for in Figure 3.3.1. The provision and maintenance of such facilities will be secured by appropriate legal agreements.
- (b) In lieu of the provision of public recreational centres and social facilities, including school facilities, in exchange for the additional density as set out in Figure 3.3.1, a monetary contribution towards the cost of constructing and furnishing the same facilities at another location serving the *North York Centre* may be accepted by the City, provided:
- (i) the provision of the facility within the development is not practical or feasible, or alternative arrangements for the provision of the facility are preferable; and
 - (ii) arrangements to expend the funds for the provision of the specified facility in a timely fashion at an alternative location have been secured in an appropriate legal agreement.

The amount of the monetary contribution will be equal to the market value of the gross floor area obtained through this incentive, as specified in Figure 3.3.1.

- (c) The City may also accept a monetary contribution towards the cost of acquiring land necessary for completion of the Service Roads identified in Sections 8.6 and 8.7, and associated road network and buffer areas, such contribution to be used for no other purpose. The amount of the monetary contribution will be equal to the market value of the gross floor area obtained through this incentive, as specified in Figure 3.3.1.
- (d) For major office developments in the North York Centre, considered to be commercial or mixed use projects that provide new office space in excess of 15,000 square metres gross floor area, the monetary contribution provided under Section (b) and/or (c) above may be partially or wholly offset by the costs of providing one or more continuous indoor pedestrian connections from the development to a transit terminal. The allowable offset will be proportional to the relative amount of commercial gross floor area provided (calculated as the ratio of commercial gross floor area to total gross floor area for the entire project, multiplied by the amount of the monetary contribution payment otherwise due). The timing of the offset will be secured by appropriate legal agreements.
- (e) In this Section, "market value" refers to the land value of density in the *North York Centre*.

Figure 3.3.1
Incentives

| USE | INCENTIVE |
|---|---|
| <p>Bicycle Parking</p> <ul style="list-style-type: none"> Bicycle parking spaces provided in an at-grade common bicycle room conveniently accessible to the outside Showers and change rooms for bicycle parking in commercial projects | <p>The gross floor area of an at-grade common bicycle room, and that of any associated commercial showers and change rooms, is exempted from the calculation of gross floor area.</p> |
| <p>Private Recreational Use Accessory to a Residential Use</p> <ul style="list-style-type: none"> located in a residential development must not be a commercial for profit enterprise | <p>The gross floor area of the private recreational use up to a maximum of 1.5 square metres per dwelling unit is exempted from the calculation of gross floor area.</p> |
| <p>Provision of a Public Recreational Centre</p> <ul style="list-style-type: none"> to be owned by the City will be constructed and equipped to the satisfaction of the City | <p>The gross floor area of the public recreational centre is exempted from the calculation of gross floor area and up to 4 times the gross floor area of the public recreational centre is available as an incentive.</p> |
| <p>Provision of or Retention of a Place of Worship (including relocation)</p> <ul style="list-style-type: none"> may be located anywhere or relocated anywhere in the <i>North York Centre</i> | <p>The gross floor area of the place of worship is exempted from the calculation of gross floor area.</p> |
| <p>Provision of Social Facility</p> <ul style="list-style-type: none"> such as but not limited to child-, elder-, or co-generational day care, drop-in counselling or crisis centre, etc. school facilities does not include institutions that are predominantly office or residential uses other than group homes premises will be designed and furnished to enable operation of the social facility in compliance with relevant legislation and regulations, and will be of sufficient size and condition to enable its efficient operation will be located close to grade and easily accessible to the public such uses existing on the date of adoption of this Secondary Plan may be relocated on appropriately zoned sites in the surrounding residential neighbourhoods may include the retention or relocation of such existing social facilities at any location within the <i>Centre</i> secured through an appropriate legal agreement pursuant to Section 37 of the <i>Planning Act</i> | <p>The gross floor area of the social facility is exempted from the calculation of gross floor area and up to 4 times the gross floor area of the social facility is available as an incentive.</p> |
| <p>Heritage Building</p> <ul style="list-style-type: none"> designation in accordance with <i>Ontario Heritage Act</i> will be considered relevant property will be zoned to limit development of the site in a manner consistent with the heritage objective secured through an appropriate legal agreement (Heritage Easement) | <p>In accordance with the Heritage policies.</p> |
| <p>Continuous Indoor Pedestrian Connections to a Transit Terminal</p> <ul style="list-style-type: none"> owned or operated by a public authority may include above grade or below grade spaces | <p>The gross floor area of the pedestrian connection is exempted from the calculation of gross floor area for all developments. In addition, for major office developments (over 15,000 m²) connected to a transit terminal, the gross floor area of the connection is not subject to the 33 per cent incentive/transfer limit specified in Section 3.2(b)(ii).</p> |
| <p>Provision of a Live Theatre, Auditorium, Concert Hall, Museum, Art Gallery, and Cultural Heritage Centre</p> <ul style="list-style-type: none"> provided these uses are located in the <i>North York Centre South</i> | <p>The gross floor area of a live theatre, auditorium, concert hall, museum, art gallery or cultural heritage centre is exempted from the calculation of gross floor area.</p> |
| <p>Street-related Retail</p> <ul style="list-style-type: none"> in the Prime Frontage Area to a depth of 30 metres provided the retail uses are located at grade and are directly accessible from the street | <p>The gross floor area of street-related retail uses to a depth of 30 metres is exempted from the calculation of gross floor area.</p> |
| <p>Transit Terminal</p> <ul style="list-style-type: none"> owned or operated by a public authority may include small-scale retail and service commercial uses within the transit terminal | <p>The gross floor area of the transit terminal is exempted from the calculation of gross floor area for all developments. In addition, for major office developments (over 15,000 m²) connected to the transit terminal, the gross floor area of the terminal is not subject to the 33 per cent incentive/transfer limit specified in Section 3.2(b)(ii).</p> |
| <p>Provision of Service Roads</p> <ul style="list-style-type: none"> lands required for portions of the Service Roads, and Associated Road Network or Buffer Areas identified in Maps 8-10 and 8-11 but not yet secured by the City | <p>The gross floor area attributable to the monetary contribution.</p> |
| <p>Major Office Development Connected to a Transit Terminal</p> <ul style="list-style-type: none"> commercial or mixed use project providing new office space in excess of 15,000 square metres gross floor area, linked to a transit terminal by a continuous indoor pedestrian connection | <p>The monetary contribution provided under Section 3.3(b) and/or (c) may be partially or wholly offset by the costs of providing one or more continuous indoor pedestrian connections to a transit terminal, as specified in Section 3.3(d).</p> <p>The gross floor area of an indoor pedestrian connection to a transit terminal, owned or operated by a public authority, is not subject to the 33 per cent incentive/transfer limit specified in Section 3.2(b)(ii).</p> <p>The gross floor area of a transit terminal located within the development site, connected to the development and owned or operated by a public authority, is not subject to the 33 per cent incentive/transfer limit specified in Section 3.2(b)(ii).</p> |

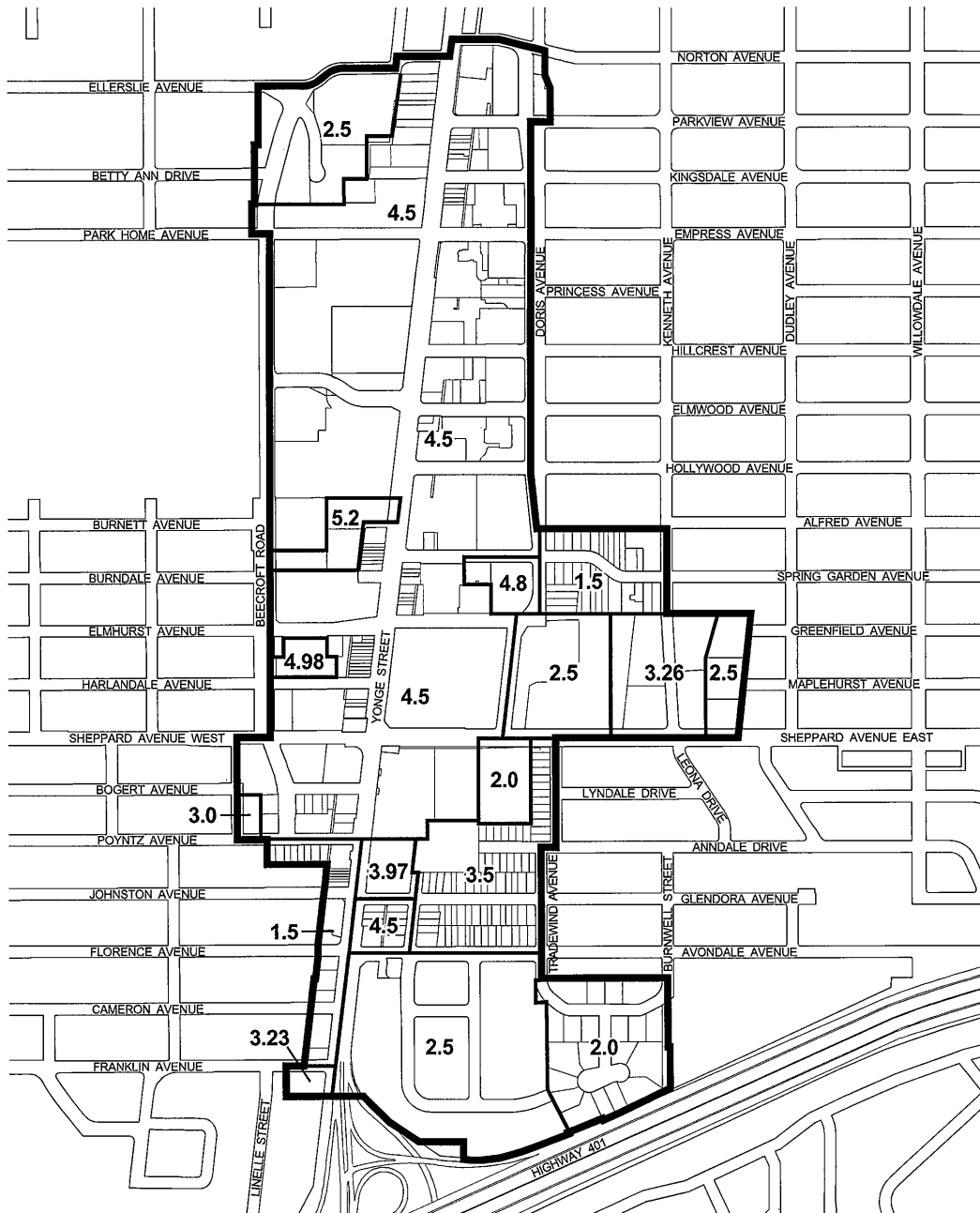


— Secondary Plan Boundary

★ Density can only be assigned to these lands pursuant to the Official Plan, North York Centre Secondary Plan, Section 3 or Section 13

Note: Density Limits are exclusive of density incentives and transfers





— Secondary Plan Boundary

Note: Density Limits are exclusive of density incentives and transfers



Ontario Home Builders' Association



Achieving Intensification



Tools to Support the Industry



Fall 2005



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1. About OHBA

The Ontario Home Builders' Association is a voluntary organization that represents the vast majority of the builders in Ontario and is the voice of the residential construction industry in Ontario. OHBA's 3,800 member companies are organized into 31 local associations across the province and are involved in all facets of the new home construction and residential renovation industries. It is a voluntary association whose primary goal is to positively impact provincial legislative, regulatory and tax policies that affect the industry.

2. Introduction

The Ontario Home Builders' Association has demonstrated a strong commitment to working with the government over the years on issues that affect the home building industry. Our members live, work and play in the municipalities that make up their community, and therefore, our comments should be taken in balance with the fact that we not only do business in the cities, towns and villages in Ontario, we are also citizens living within these communities.

OHBA has provided detailed comments in our September 24, 2004 submission based on a review of the *Places to Grow* discussion paper by our membership. OHBA provided additional comments and suggestions with respect to the *Places to Grow* Draft Plan in a submission to the government on April 18, 2005. OHBA First Vice President and Chair of the OHBA Land Development Committee, Victor Fiume, made a deputation outlining industry concerns with *Places to Grow* to the Standing Committee on General Government on April 20, 2005.

This document provides the Ministry of Municipal Affairs and Housing and the Ontario Growth Secretariat at the Ministry of Public Infrastructure Renewal with advice from the Ontario Home Builders' Association to support intensification. The suggested policy options and tools contained in this document are derived from OHBA research and a special meeting of OHBA members held on August 9, 2005 to discuss and brainstorm policy options intended to support the industry in reaching intensification objectives outlined in the *Places to Grow* growth plan for the Greater Golden Horseshoe.

We are pleased to offer comments and positive suggestions for tools that will support the residential construction industry in meeting provincial goals and objectives outlined in the *Places to Grow* Draft Plan. OHBA intends to work with the province to ensure the residential construction industry has the capability to build healthy and vibrant communities in the province of Ontario to the benefit of all Ontarians.



3. OHBA Position on *Places to Grow*

OHBA supports in principle the direction of the province's strategy for the Greater Golden Horseshoe. There is no doubt that a provincial plan is needed to manage transportation issues and assist municipalities with funding infrastructure renewal. A provincial growth plan should ensure that all Ontarians can expect a high quality of life, a healthy environment and a prosperous economy.

OHBA supports in principle, the need to implement policies and mechanisms that would provide for a growth management strategy within the Greater Golden Horseshoe. Given the tremendous growth challenges facing Ontario, clarity of direction from the province with regard to planning issues related to growth management is essential. OHBA members realize that a comprehensive, well-conceived forward thinking plan is in the best interest of Ontarians. However, OHBA strongly feels that growth should be planned for as opposed to controlled.

Prior to moving forward with the growth plan the province must address serious issues and concerns with *Places to Grow*. Outstanding issues with the structure, framework and content of *Places to Grow* could potentially impede progress towards its goals and objectives. It would be rational for the province to take the necessary steps to confront problems that have arisen in the first drafts. At first glance, this may seem counter-productive; however the province would be well advised to work with stakeholders to iron out problems with the plan in order to move forward as partners. These issues must be confronted head on and resolved if the province is to achieve the long term goals and objectives of *Places to Grow*.

OHBA has some specific areas of concern which constitute the underlying premise for the growth plan.

- **Growth Projections:** OHBA is concerned that the projections in the *Growth Outlook for the Greater Golden Horseshoe*, by Hemson Consulting are not true demand projections, but rather targets based on the policy of the growth plan. The residential construction industry has not had any opportunity to provide any comment or input into the projections nor scrutinize them in any detail. Since the projections are a fundamental part of the growth plan, it is ill-advised that they are imposed without any input from stakeholders. The growth projections should be subject to public and industry input when the projections are reviewed every five years.
- **Definition of built-up areas and built boundaries:** OHBA requires clarity with respect to what level of government will be responsible for defining the built boundary and how precisely it will be defined. OHBA is also concerned as to whether this will be defined in the sub-area growth plans or regional plans, which will have a bearing on how often the built-boundary is reviewed. This needs to be clarified soon since it will be a key issue for municipalities involved in OP



reviews. The setting of the built boundary should be subject to a public process with an opportunity for industry input.

- **Intensification within existing built up areas:** Major industry concerns on this issue are the lack of available land supply for intensification within existing built-up areas, fragmented land ownership patterns, compatibility with existing established neighbourhoods, the capacity of existing older municipal sewers and watermains to accommodate intensification, pressure on heritage buildings and most importantly NIMBYism. The NIMBY syndrome is a major factor in the opposition of local residents in established neighbourhoods within the existing built-up areas, towards intensification. In many situations local politicians who must face the electorate every few years often side with local residents over the recommendations of their own planning department. OHBA is of the opinion that NIMBYism is the single largest hurdle to overcome in achieving the intensification objectives outlined by the province.

OHBA is concerned that the growth plan focuses on intensification within built-up areas rather than intensification overall. If the aim of the growth plan is to reduce greenfield land consumption, there should be more flexibility to achieve this through intensification in both built-up areas and greenfield areas. Local flexibility towards achieving intensification is essential since the ability to intensify in built-up areas will vary across the Greater Golden Horseshoe.

- **Efficient use of existing infrastructure:** The installation of trunk infrastructure services required for Greenfield development is paid for by the development industry and the new services for individual projects are paid by the new home purchaser. This new infrastructure does not put additional pressure on “the ability of current provincial and municipal governments to fund... infrastructure.” In fact, the pressure on the province and municipalities is to invest in the repairs to existing infrastructure that has been neglected for decades and bring it up to current standards and regulations. Pressure on aging infrastructure would be exacerbated by intensified redevelopment in existing built-up areas.

Investment to expand and repair existing infrastructure benefits and enriches the lives of all Ontarians. The revenue required to finance infrastructure repairs and upgrades must be borne and shared by those who have benefited from improved infrastructure investments. Therefore the entire provincial population should share the cost of infrastructure improvements.

- **Intensification targets for redevelopment within built-up areas and Greenfield development:** The Draft Growth Plan provides some ambitious targets for intensification for new growth. OHBA believes that the target of 200 residents per net hectare is too aggressive and impractical to implement. Even townhomes would not fit into this target since generally a townhouse project would provide approximately 110 residents per hectare.



- **Affordable Housing targets:** OHBA is strongly opposed to the province setting minimum affordable housing targets for all regional market areas within sub-areas. We do not believe that the government should be introducing statements in its housing policy to blend with the goals of its social program. OHBA believes that there is an obligation on the part of all citizens of Ontario (and Canada) to provide housing for the less fortunate members of our society. However, by introducing a set of social policies in the Housing Policy, the burden of providing affordable housing will be ultimately borne by the new home purchasers. All housing will become less affordable for the citizens of Ontario under this scenario.
- **Designated Growth Areas – Greenfields:** OHBA has reservations regarding the interpretation of “designated growth area”. We interpret that it should be considered across the entire upper or single tier municipality rather than on individual lower tier municipalities or on a project-by-project basis. OHBA also notes that the targets are on a gross basis rather than on a net basis. This implies that mandated open spaces are included in the analysis for achieving these targets. This is in conflict with the provincial policies that require the protection and enhancement of natural green space. The more green space that is protected and preserved, the more difficult it becomes to achieve the housing and jobs targets set out in these policies.
- **Sub-area growth strategies:** The City of Hamilton is included in both the GTA-Hamilton and the Niagara Peninsula sub-areas. OHBA recommends that Hamilton should only be included GTA and Hamilton sub area. OHBA further recommends that the province set strict time-lines for completing the sub-area growth strategies.
- **Implementation issues:** OHBA is concerned that the resources required to review the multitude of various municipal and provincial planning documents and policies that are intertwined with the *Places to Grow* Plan will significantly burden municipalities. Both the province and municipalities will endure significant expense and effort to ensure all planning documents are in compliance with the new legislation. OHBA is also concerned that the 10 year review period for the growth plan is too stringent and does not allow an opportunity for the government and stakeholders to monitor the effectiveness of the plan and make modifications if necessary. OHBA recommends that the review period be reduced to a five-year period.
- **Costs of Implementation:** In order to evaluate the impact of the growth plan the province needs to know the cost of all the proposals. The merits of intensification and planned growth, including the real costs associated with the plan, should be able to stand alone on its merit and withstand scrutiny. OHBA recommends that the plan be released in conjunction with the funding mechanism.



- **Transition Policies:** OHBA suggests that a transition policy be set out in the regulations that complement the *Places to Grow* Act. We believe that the new policies should not be applied to applications that are in process and for which a final decision has not been made. Many applications are in an advanced state and significant investments have already been made on the part of applicant and municipalities.

4. Tools to Support Intensification

The members of the Ontario Home Builders' Association are an integral partner with the provincial government in implementing *Places to Grow*. The challenge to increase densities and intensify development will require cooperation between the province, municipalities and the residential construction industry. To achieve the objectives outlined in the *Places to Grow* draft plan, builders and developers will require a set of tools to support intensification from the province and municipalities. The province will also have to assist the development industry in 'selling' the merits of intensification to the public and new home buyers. Achieving the long-term objectives of *Places to Grow* will require a concentrated and sustained effort by all partners and stakeholders.

The Ontario Home Builders' Association is pleased to provide the government with the following suggested tools to support intensification. It is our hope that the government will carefully examine the merits of these policy options to assist the residential construction industry in developing higher density communities that support intensification and transportation objectives outlined in *Places to Grow*.

Zoning

Municipal zoning by-laws are a very important piece of the intensification puzzle. OHBA is concerned that many areas ripe for intensification are 'under-zoned'. Under-zoning creates a series of problems and roadblocks for our industry to increase densities in urban growth centres and along intensification corridors. In moving forward to implement *Places to Grow* the province must address this issue and ensure that municipalities comply.

The process builders are subject to when rezoning to increase densities is both costly and time consuming. The province should strive to eliminate the many obstacles that discourage infill development. In some cases builders avoid the lengthy process and construct lower density housing since it is the path of least resistance. Smaller companies that may be better suited to take on complicated infill developments do not have the resources to fight local councilors and active ratepayers to push through infill projects. Numerous potential infill opportunities are lost due to the many obstacles that builders face.



Due to under-zoning and local opposition to intensification many builder are faced with a choice to go to the OMB to fight for additional units while trying to keep costs in line or to capitulate for expediencies sake, which results in higher unit costs and decreased densities. The choice builders have when faced with local and political opposition in an attempt to increase densities as per the intent of the growth plan is to spend years and significant amounts of money at OMB hearings or to reduce densities and affordability. Zoning should be a tool to encourage the efficient use of land. Many of these difficulties would not be an issue if municipalities appropriately zoned lands located in areas targeted for intensification.

Municipalities often intentionally under-zone properties in an attempt to extract section 37 agreements and other commitments from builders in return for increased densities. OHBA holds a strong opinion that if a parcel of land is in an appropriate location for intensification then it should be properly zoned to accommodate increased densities. The time and cost allocated towards rezoning discourages intensification and significantly adds to the final cost of each unit in a residential project, thus discouraging the public from purchasing a home in higher density communities.

Under-zoning justifiably fuels NIMBYism. When municipalities under-zone a property, local residents are provided with a false impression of what type of development is appropriate for that given location. If a builder proposes a project that exceeds the zoning, the immediate reaction from the community is usually very negative. The community often views the proposal as being entirely inappropriate for the area and cites the municipal zoning by-law as the reason why the application is unsuitable. Our members can attest to the fact the one of the most common complaints against infill development at public meetings is that the proposal exceeds municipal zoning by-laws and the builder should only construct what the zoning permits. Our members believe that the hostile nature and strong opposition of many local residents would be curbed if municipalities appropriately zoned areas targeted for intensification.

OHBA recommends that the province install a policy of minimum zoning for each of the Urban Growth Centres and Intensification Corridors. The minimum zoning by-laws should be customized for each Urban Growth Centre to ensure that the minimum density targets are appropriate for the location and that each Urban Growth Centre is positioned to reach intensification goals and objectives outlined by the province. Minimum zoning in each urban growth centre would expedite the planning process for builders, reduce cost, reduce the number of appeals to the OMB, encourage intensification and reduce NIMBYism. This is a crucial policy tool to support intensification. The province must ensure that municipalities comply with potential minimum zoning by-law standards.

Transportation

Transportation links are an essential component to intensification. Public transit continues to require cost effective government investments to enhance, expand and maintain the current system. With respect to the residential construction industry, builders constructing medium to high density projects do so primarily at locations well



served by transportation infrastructure. Transportation links are essential to new home buyers when making the decision as to where they want to live.

The province must outline a long-term transportation plan that is efficient, effective and financially feasible. Builders require certainty to make investment decisions and transportation links are a key component to future investment. Land-use and transportation planning must be coordinated for the growth plan to be effective. If a builder knows where and when new or enhanced transportation links will be developed they can make investment decisions that will ensure not only the success of their own projects, but also provide an immediate infusion of riders on new public transit corridors or drivers on enhanced road infrastructure.

Improved transportation links that are dependable and consistent are required for intensification. Public transit requires cost effective solutions that benefit the greatest number of riders. OHBA encourages the province and municipalities to consider busways and LRT rather than expensive heavy rail to solve regional transportation problems. Improved roads and freeways must not be excluded from the transportation plan. OHBA recommends a balance between roads and public transit in the transportation plan to ensure a high quality of life and the efficient movement of goods and services in Ontario.

Parking Requirements

Parking requirements set by municipalities are often extremely onerous and are the antithesis of smart growth. Current parking requirements discourage intensification and significantly increase the cost of medium and high density projects. Cost savings through a reduction of municipal parking requirements in residential projects would be passed onto consumers, increasing housing affordability in medium and high density developments.

Municipalities should relax parking requirements in urban growth centres and intensification corridors. It makes little sense for the province to be encouraging public transportation while municipalities force builders to construct far more parking spaces than are necessary. In fact, the provision of additional parking spaces encourages new residents to use private automobiles as their primary method of transportation. OHBA recommends that the province implement policies that support public transit by reducing municipal parking requirements in urban growth centres and intensification corridors.

OHBA members constructing medium and high density projects wish to bring to the province's attention that many of the parking spaces they are required to build remain empty. Builders cannot even sell or rent all the spaces they build, as parking requirements often exceed consumer demand. The high capital cost of constructing underground parking significantly increases unit prices and the ongoing operational costs of maintenance, lighting and security are a burden on the condo corporation.

In suburban locations where land is more readily available, builders will typically construct all or a portion of the required parking spaces as surface parking due to cost



constraints. Surface parking contributes to urban sprawl and is an inefficient use of land. Furthermore, surface parking contributes to the heat island effect, thereby having a negative impact on the local environment.

In rental properties parking requirements are not just an intensification issue, but are also an affordability issue since vacant parking spots are recouped in the base rent of all tenants in a particular project. Parking requirements that exceed consumer demand have a negative impact on housing affordability for both condo dwellers and for tenants in rental properties.

Parking requirements exceeding consumer demand have resulted in a costly surplus of vacant parking spaces in various developments across the Greater Golden Horseshoe. OHBA recommends the government investigate the feasibility of sharing parking facilities between neighbouring properties. There are opportunities available to make better use of existing parking infrastructure and to reduce future parking infrastructure requirements. OHBA further recommends that the province reduce municipal parking requirements to increase the affordability of medium and high density housing located in urban growth centres and intensification corridors.

Parkland Dedication

Green space and public parkland are important ingredients to healthy and vibrant communities. As required by the Planning Act any development must provide 5% of the land for parkland dedication at the time of development, or up to 1 ha per 300 dwelling units. If the development does not have a park site, the developer is required to pay cash-in-lieu for the value of the land.

Higher density projects in established areas must pay cash-in-lieu of parkland dedication despite the fact that more established areas in city centers are often already well serviced by parkland. The high parkland dedication fees discourage high density projects and therefore run counter to provincial intensification objectives.

The cash-in-lieu of parkland fees collected by municipalities significantly adds to the cost of medium and high density projects without drastically improving or adding park facilities within the area of the new development. The increased cost to builders is passed onto new home buyers which therefore decreases the affordability of housing within urban growth centres and intensification corridors. OHBA recommends the province reduce cash-in-lieu of parkland fees in urban growth centres and intensification corridors to promote intensification.

Medium and high density condominium projects often include amenity areas to be used by residents of the building. Many amenity spaces in condos are very similar in function to public parkland. Examples of typical amenities in an average middle class condominium include: roof top gardens, landscaped sitting areas, playgrounds and barbeque facilities which significantly reduces the requirements of public off-site facilities for these residents. Municipalities benefit as they do not have to provide initial



capital costs or the ongoing maintenance for amenity space located in condominiums. OHBA recommends that condominium plans that provide amenity space receive a credit towards the dedication of parkland or cash-in-lieu of parkland. Cost savings from reductions of cash-in lieu of parkland would be passed onto consumers therefore encouraging intensification through increased housing affordability.

Home builders should receive a credit towards parkland dedication for lands ceded to Conservation Authorities for public purposes. Local residents often use natural areas within Conservation Authority protected lands for recreational purposes without detracting significantly from its environmental purpose. OHBA recommends that the *Planning Act* include a provision to allow a credit towards parkland dedication for 'passive parks' in lands ceded to Conservation Authorities.

In areas outside of urban growth centres and intensification corridors the province should encourage pedestrian and bicycle connections through policy changes to parkland dedication policy. The 5% of land for park dedication could, as an option to builders, be split with 4% of lands allocated to parkland and 1% allocated towards trails. Most municipalities currently only accept parkland dedication as flat table land in a park block. If communities are to be more walkable and connected, then trails should be accepted as part of parkland dedication. An increase in trail connections would encourage alternative transportation methods and healthy living. OHBA recommends that the *Planning Act* be revised to contain trails, including trails within Conservation Authority ceded lands within the definition of Parkland Dedication.

Development Charges

OHBA is opposed to the existing and potentially expanded Development Charges Act because it unfairly burdens new home buyers with the costs of services which should be paid by the entire community. New home buyers are not the only people who add to the need for increased services, infrastructure and amenities. As empty nesters move out of large family homes they will be replaced by younger families that place additional pressures on municipal services. The Act is inadequate because of the cyclical nature of the new home building industry – fewer starts means fewer lot levies. Therefore OHBA encourages alternatives to development charges such as Infrastructure Renewal Bonds. We are not opposed to paying our fair share, but the services must be tied directly to new development. Municipalities must be accountable and transparent with respect to development charges.

OHBA is concerned that municipalities are increasingly viewing development charges as a general revenue source, rather than the intended mechanism to cover costs directly related to new development. However, with respect to encouraging intensification there is an opportunity to reduce or grant development charges exemptions.

For infill development, most of the required infrastructure and municipal services are already in place. Therefore new residential development does not place a significant additional burden on existing municipal infrastructure. Furthermore many middle class



medium and high density developments contain amenity spaces such as indoor pools, basketball courts, exercise facilities and mini theatres which significantly reduce public facility requirements. New home purchasers are paying for some of these facilities twice through development charges. Municipalities therefore have an opportunity to grant reductions or exemptions for development charges in urban growth centres or intensification corridors without compromising municipal services.

Any reduction or the elimination of development charges in targeted areas for intensification would be passed onto new home buyers. Therefore housing affordability would increase and new residential development in targeted locations would be a more attractive option for potential new home buyers.

Development charges may be used as a tool to promote intensification; however that will require a fiscal commitment from the province, as municipalities will be reluctant to give up a source of revenue from new home buyers that they have become accustomed to. With respect to area-specific exclusions, OHBA cautions the province that it would not be legitimate for the rate to be passed onto all new homes outside of targeted zones. If certain areas or classifications of development are exempt from, or experience a reduction in development charges, the lost revenue must be covered by the municipality or province and not be subsidized by greenfield development. This potential development charge mechanism should be a bonus applied to consumers buying infill and not a penalty attached to buying Greenfield development.

OHBA recommends the province investigate development charge exemptions and/or reductions in urban growth centres and intensification corridors. OHBA further recommends that the province ensure that new home buyers outside intensification zones be protected from subsidizing intensification through increased development charges.

Ontario Municipal Board

The residential construction industry strongly believes that the role of the OMB must be strengthened as an essential part of the implementation process that the provincial government will require to reshape the future of the Greater Golden Horseshoe as envisaged in both the Greenbelt legislation and the *Places to Grow* growth plan. Without a strong and independent OMB the provincial policies and objectives for the Greater Golden Horseshoe will be virtually impossible to meet. It is our belief and recent history provides clear evidence, that if land-use planning approvals were left solely to local politicians without a route of appeal to the OMB, NIMBYism would derail intensification and infill efforts. Ratepayer groups have a significant influence on local councilors who often make decisions based on the short-term local political climate rather than on the medium and long-term planning objectives or on the merits of the application itself. The right to appeal a municipal council decision to the OMB is an important counterbalance to the vagaries, and oftentimes political whims of local councils. Without recourse to the OMB, expert witnesses in the communities may be excluded in the interests of a narrowed political vision.



A strong OMB is a necessary ingredient to ensure the land-use objectives of the McGuinty government for the province of Ontario can be met. Given that aggressive intensification targets are central to the *Places to Grow* Plan, diminished powers for the OMB would undermine the ability of the province to meet its own 10 year intensification objectives. Without a strong and independent OMB the self serving interests of a few influential voices will ruin efforts to promote intensification, affordable housing and special needs housing. The province should support an improved and updated OMB to prevent this type of derailment of the land-use planning process. Land-use decisions should primarily be directed from municipal planning departments adhering to provincial and municipal land-use policies and objectives.

OHBA recommends that the current role of the OMB be retained as an impartial adjudicative body for Land Use Planning decisions to be tested on the basis of the Planning Act, Provincial Policy Statements and *Places to Grow* as well as other relevant provincial and municipal policies.

Combating NIMBYism

The Ontario Home Builders' Association believes that NIMBYism is the most significant hurdle for the province and the residential construction industry to overcome with respect to infill and intensification. NIMBYism unfortunately has the potential to derail intensification efforts and if nothing is done to curb NIMBYism, *Places to Grow* will quite simply be adding 'fuel to the fire'.

OHBA believes that NIMBYism is stimulated by misinformation; a lack of understanding of the merits of intensification and reinvestment into existing communities; mistrust of developers and planners; and a general anti-development attitude generated by a fear of change. It is clear that some individuals do not want anything to change or anyone new to move into their community. This is an incredibly self-serving attitude that is not in the best interest of the greater community or the province-at-large.

Ratepayer groups that apply significant pressure on municipal officials are often driven by the NIMBY attitudes of a few vocal and forceful residents. These NIMBY attitudes are the driving force of many ratepayer groups; however these attitudes are often hardly a true reflection of the general consensus of a community. Therefore the opposition to many infill projects by ratepayer groups is not usually a true democratic representation of most communities. Unfortunately these few vocal and forceful residents drive the current planning process.

OHBA recognizes that some community consultation is an important component of the planning process. However, NIMBY attitudes and those individuals who seem to scream the loudest are the voices that are heard by local politicians and city planners. This small minority of people who fight to resist change, no matter what form it comes in, have hijacked the planning process for development occurring within existing and established communities. The province must take steps to reduce the role that NIMBYism has in the



planning process and enhance the role of comprehensive, well-conceived, forward-thinking plans (i.e. *Places to Grow*).

Combating NIMBYism will not be an easy task. Builders and developers are empathetic to the concerns of local residents and are increasingly being pro-active by engaging in discussions with communities at the earliest stages of a proposal. However, fruitful discussions are difficult when the two sides are so diametrically opposed.

OHBA recommends the province use a two-pronged approach to curb the negative impacts of NIMBYism. The first approach is through regulatory and policy changes that could assist to diminish NIMBYism without compromising meaningful public consultation. The second approach is for both the province and the residential construction industry to work together to educate the public on the merits of intensification.

The public policy approach to combat NIMBYism includes a number of initiatives. The province must retain and improve the Ontario Municipal Board (OMB). The province must also improve the planning regulatory framework within intensification corridors and urban growth centres to ensure builders have the ability to move smoothly through the planning process. This requires a set of regulatory parameters to streamline the process and support intensification efforts.

OHBA believes many of the issues and concerns raised by local residents could be dealt with under the Official Plan and through properly zoning lands targeted for intensification. In the current system, the majority of discussions with the community occur towards the end of the process as a result of under-zoning when a medium or high density project is proposed. Local concerns with respect to density should be discussed at the beginning of the process during Official Plan reviews. Local politicians and residents would have the opportunity to voice any concerns at this earlier stage of the planning process. Similar to builders, residents are unhappy about rules changing part way through the game. Just as builders require certainty, so do community residents. Ratepayers should be afforded the opportunity to speak on any zoning issue whenever the Official Plan is being reviewed every 5 years. Once lands are appropriately zoned during the OP review, OHBA believes the level of tension and aggressiveness displayed by ratepayer groups would be diminished. OHBA recommends that public consultation and participation in the planning process should primarily occur at an earlier stage of the process during Official Plan reviews.

OHBA further recommends the province remove the ability for opponents to appeal a proposal based on density in urban growth centres if the minimum density target has been reached. Once the Official Plan is approved and the zoning is properly adjusted, builders should be afforded an expedited approvals process where NIMBYism is not such a strong force. The government must take responsibility and not just use its authority to say “intensification will occur”, there must be the capability to make it happen.



The discussion and debate on appropriate land uses should occur during Official Plan reviews. If the government strongly believes in *Places to Grow* and the merits of intensification, discussion and debate must occur earlier in the planning process rather than on a project by project basis. Otherwise, the vast majority of infill and intensification projects will each individually result in numerous politically difficult decisions that may compromise the ability for the province and municipalities to achieve the objectives of *Places to Grow*.

The province needs to demonstrate leadership and have the political will to ensure intensification is possible in the face of local opposition. Unfortunately NIMBYism will always exist, no matter how strong a case the province, builders and planners make for a given project. If the province is serious with respect to achieving the intensification objectives outlined in the *Places to Grow* draft plan, then the negative, anti-intensification impacts that NIMBYism and anti-development ratepayer groups have on the planning process must be reduced. Land-use decisions should primarily be directed from municipal planning departments adhering to provincial and municipal land-use policies and objectives. OHBA therefore recommends that the province plan for well-managed growth and shift the extensive citizen participation to earlier stages of the land-use planning process.

Public Land Takings

The goal to use land more effectively and efficiently should not rest entirely with the private sector. All levels of government must demonstrate leadership and use public land in a more efficient manner. The province has set ambitious intensification targets for our industry. We are simply asking that the government do the same with respect to the efficient utilization of public land. Reducing public land takings to support intensification would demonstrate a public commitment to *Places to Grow*. Intensification objectives should be met through a partnership between the public and private sector.

Public land takings account for a very significant amount of inefficiently used space throughout the Greater Golden Horseshoe. New development is subject to a number of different public land requirements that runs counter to intensification objectives. If the government imposes ambitious intensification targets for the residential construction industry, then lands used by the government should also be subject to intensification targets. OHBA recommends the government demonstrate their commitment to intensification by setting achievable targets to reduce public land takings.

There are a variety of opportunities for the provincial and municipal governments to more effectively and efficiently use land set aside for public purposes. The province should set targets to reduce public land takings for provincial land uses, municipal land uses and for Conservation Authorities. The government should also examine the potential to share public facilities between different uses. Not only would shared uses and functions reduce land requirements for both the facilities themselves, but shared uses would also reduce parking and support transportation objectives by centralizing a variety



of uses and functions in one location. Public facilities should encompass a variety of public uses.

OHBA recommends that the government examine potential reductions to road allowances, utility corridors, and to lands used for buffers. OHBA further recommends the government review all public land requirements to seek out efficiencies that would encourage intensification. Subsequent to a review of public land takings, the government should set intensification targets designed to reduce land requirements for public purposes. This government commitment to set maximum public land requirement thresholds would demonstrate to stakeholders and the public a partnership towards achieving intensification and *Place to Grow*.

Conservation Authorities

OHBA is concerned that the objectives of the Ministry of Natural Resources runs counter to the objectives of the Ministry of Municipal Affairs and Housing and the Ministry of Public Infrastructure Renewal. The *Places to Grow* plan for the Greater Golden Horseshoe by the Ministries of Public Infrastructure Renewal and Municipal Affairs and Housing is designed to support intensified growth patterns to accommodate the millions of additional residents and jobs anticipated over the next few decades. Conservation Authorities mandates are to protect as much land as possible from development. The provincial objectives of *Places to Grow* are for balanced and intensified growth, while Conservation Authorities objectives support no growth.

If the province supports *Places to Grow*, then the objectives of Conservation Authorities must respect the growth plan. OHBA is concerned that there is currently a case of 'silo thinking' between the Ministry of Natural Resources versus the Ministry of Public Infrastructure Renewal and Ministry of Municipal Affairs and Housing. MNR and Conservation Authorities must respect the growth plan with a mandate for balanced growth, they should not only act to halt and prevent development. OHBA members respect the need to protect environmentally sensitive lands; however our members are concerned that Conservation Authorities are being unreasonable with respect to the amount of public lands they require from developers. OHBA is concerned that 'buffer' regions between development and environmentally sensitive lands are growing in size and scope. This runs counter to stated provincial objectives for intensive and efficient uses of land. If lands are suitable for development, Conservation Authorities should not have the power to halt growth.

Conservation Authorities need to be made more accountable to the public. Greater accountability would ensure Conservation Authorities look at the big picture and support provincial land use objectives, not just conservation. Conservation Authorities board members should be elected at large by the public. Electing board members would ensure Conservation Authorities operate in an open and transparent manner with the objective to enhance the quality of life for Ontarians.



OHBA recommends that the Ministry of Natural Resources and Conservation Authorities have a mandate to protect the environment and to support balanced growth. OHBA further recommends Conservation Authorities be more accountable to the public through the election of Board Members. Conservation Authorities should be subject to provincial land use objectives and not just conservation.

Brownfields

The province has made progress towards encouraging brownfield redevelopment through recent brownfields legislation. OHBA supports the redevelopment of brownfield sites to revitalize derelict areas and to use land in a more efficient manner. OHBA recommends that the province continue to support brownfield redevelopment through incentives to builders and developers and through regulatory reforms.

Liability continues to be a serious concern for builders with respect to brownfield redevelopment. The province should change legislation for brownfield properties so that the polluter and not the subsequent land owner, is vulnerable to lawsuits from occupants or surrounding land owners. Developers often avoid brownfield sites because they do not want to take on the liability.

OHBA is concerned that there is not a form of title clearance upon receipt of the appropriate clearance reports on sites that have 'warning clauses'. This can delay financing and the builder's ability to move forward with the development. In some situations builders must cancel the redevelopment of the brownfield site despite having invested significant funds into the cleanup and rehabilitation of the site.

OHBA is concerned that despite the provision for the government to sign off on rehabilitated lands, the Ministry of Environment is simply accepting reports and not relieving the owner of responsibility. These provisions were put in place to encourage brownfield redevelopment, yet the government is not following through to relieve land owners of potential liability.

Brownfield liability remains a serious issue which the government must address. Brownfields are a critical component to intensification and *Places to Grow*. OHBA recommends the government continue to streamline brownfield redevelopment processes to encourage redevelopment.

Secondary Suites

The province should consider secondary suites as a method to encourage intensification. Secondary suites are a form of affordable housing for both the young and elderly. Secondary suites also present an opportunity to reduce the strain on the health care system when aging parents can move in with their children to provide them with security, care and privacy.



Intensification of homes through rehabilitation and adaptive reuse of existing housing stock is a significant opportunity that should not be wasted. Builders, renovators and home owners should have the ability to construct basement apartments and garden suites. Secondary suites offer a valuable avenue for the province to reach intensification goals while increasing the stock of affordable and rental housing. OHBA recommends the province allow and encourage secondary suites in the Greater Golden Horseshoe and across Ontario.

Public Education and Support for the Growth Plan

The generally negative attitudes towards intensification, especially when infill projects are proposed near existing residents, creates significant difficulties for our industry to provide pedestrian and transit supportive development. Builders must be able to enter into a development agreement with the confidence that they will be able to proceed without suffering potential financial loss or a loss of reputation due to negative exposure if faced with a battle against the community. Our industry is too often faced with NIMBYism (Not In My Back Yard) or BANANA's (Build Absolutely Nothing Anywhere Near Anything). Unfortunately the negative attitudes towards intensification compromise our industry's ability to effectively plan for and build within the existing urban fabric.

Beyond fiscal and regulatory tools the residential construction industry requires the support of the provincial government over the long term to fundamentally change public attitudes towards intensification. A public education effort must be made by all stakeholders in an attempt to reduce NIMBYism and the undeserved negative image of builders. Without a public education campaign *Places to Grow* will inevitably fuel NIMBYism and further tarnish our industry's reputation as it attempts to meet provincial intensification objectives amid aggrieved local opposition. This will be a long process, however if *Places to Grow* is to succeed our industry must have increased public support for intensification where appropriate.

OHBA is concerned that the general public does not understand how important growth is to the stability and ultimately the prosperity of the Greater Golden Horseshoe. Having to manage growth is a 'good' problem for the region to be faced with compared to other jurisdictions suffering from stagnation. Ontario needs long-term sustained growth to maintain and enhance our standard of living. Ontario home builders do not drive the market and create growth, they respond our expanding economy and consumer demand. The province must not only encourage economic expansion and growth, but also promote the necessity of this growth to the citizens of Ontario.

For a growing Ontario to remain prosperous in the future, we will have to optimize our land resources. The government must 'sell' the Places to Grow plan and intensification to the public by promoting the need for continued growth. Ontarians need to understand that well managed growth is essential to the health and well being of the Greater Golden Horseshoe.



5. Conclusion

OHBA is committed to working with the province in creating the right balance and to ensure that Ontario is prosperous and healthy. Our members contribute 3.3 person years of employment per housing starts and with 85,114 housing starts in Ontario in 2004; they provided employment for approximately 281,000 persons. New housing and renovation activity upgrading existing housing stock contributed approximately \$33 billion to the provincial economy in 2004. Tools to support intensification will ensure a strong future for the residential construction industry and the success of *Places to Grow*.

We are committed in our resolve to ensure that Ontario communities prosper and grow and are prepared to work with competing factions within the stakeholder groups to arrive at workable solutions that will enhance the quality of life for all Ontarians.

Thank you for the opportunity to present our views. We would be pleased to meet with you to discuss our recommendations in detail.

RESOLUTION #2 (External)

Submitted to: Ministry of Municipal Affairs and Housing

Submitted by: Land Development Committee

Date: September 28, 2005

Subject: Development Charges

Whereas: the Government of Ontario is in search of additional revenue sources to pay for the increasing costs of new infrastructure; and

Whereas: the new housing industry is the most heavily taxed and regulated industry in Ontario after alcohol and tobacco; and

Whereas: new infrastructure is constructed for the benefit of the entire community, not just new home buyers; and

Whereas: any additional taxes, fees or charges would place an increasing burden on the residential construction industry and new home buyers; and

Whereas: there are other opportunities for raising revenue to fund infrastructure through alternative financing arrangements and Infrastructure Renewal Bonds; and

Whereas: the mandatory 10% allocation of existing taxpayer contribution ensures that municipal councils must make fiscally responsible decisions with respect to infrastructure financing;

Therefore be it resolved that: the provincial government retain the mandatory 10% allocation of existing taxpayer contribution for development charges.

MOVED: A. Schepers

SECONDED: D. Murray

RESOLUTION # 2 (External)

Submitted to: Premier of Ontario
Minister of Finance
Minister of Municipal Affairs and Housing
Association of Municipalities of Ontario
City of Toronto

Submitted by: OHBA Executive Committee

Date: September 26, 2007

Subject: Provincial – Municipal Fiscal and Service Delivery Review
Infrastructure Investment

Whereas: Municipalities do not have the tax base to adequately support provincially mandated social service programs were unfairly downloaded onto municipalities and the property tax base in the 1990s; and

Whereas: Due to the fiscal pressures that social services funded through property taxes have placed on municipal budgets, other significant municipal responsibilities such as infrastructure investment have been marginalized and are increasingly funded through additional taxes, levies and fees placed on new home buyers; and

Whereas: In situations where governments are fiscally stretched, the easiest target for belt-tightening is often capital expenditures related to upgrading, maintaining and expanding infrastructure. Each and every year the infrastructure deficit continues to grow at the expense of economic prosperity and quality of life and

Whereas: In 2003 the provincial government committed to dedicating two cents of the existing gas tax towards capital investments municipal transit. The implementation of the sharing of the existing gas tax with municipalities was phased in over a couple of years to reach two cents per litre in 2006; and

Whereas: The Province of Ontario, the Association of Municipalities of Ontario (AMO) and the City of Toronto are undertaking a joint *Provincial – Municipal Fiscal and Service Delivery Review*; and

Therefore be it resolved that: Commencing with the 2008 provincial budget, the province expand this successful initiative with an additional phase-in of at least an additional three cents per litre of the existing gas tax over the next three years to bring the total support for municipal transportation systems to at least five cents per litre of the existing provincial gas by 2010; and

Therefore be it further resolved that: municipalities be accountable for any increased fiscal capacity created by provincial uploading and ensure that funds are directed in a transparent manner towards addressing the infrastructure deficit.

MOVED: J. Bazely

SECONDED: K. Chateauvert

CARRIED

RESOLUTION # 1 (External)

Submitted to: Premier of Ontario
Minister of Finance
Minister of Municipal Affairs and Housing
Association of Municipalities of Ontario
City of Toronto

Submitted by: OHBA Executive Committee

Date: September 26, 2007

Subject: Provincial – Municipal Fiscal and Service Delivery Review
Uploading of Social Services

Whereas: Municipalities do not have the tax base to adequately support provincially mandated social service programs were unfairly downloaded onto municipalities and the property tax base in the 1990s; and

Whereas: Due to the fiscal pressures that social services funded through property taxes have placed on municipal budgets, other significant municipal responsibilities such as infrastructure investment have been marginalized and are increasingly funded through additional taxes, levies and fees placed on new home buyers; and

Whereas: Municipalities have on a fairly consistent basis across the province been steadily increasing property tax rates at levels well above inflation in part to cover unsustainable costs related to provincially mandated social service programs; and

Whereas: The Province of Ontario, the Association of Municipalities of Ontario (AMO) and the City of Toronto are undertaking a joint *Provincial – Municipal Fiscal and Service Delivery Review*; and

Whereas: The status quo is both unsustainable and unreasonable;

Therefore be it resolved that: Commencing with the 2008 provincial budget, the province commit to a phased upload of all provincially mandated social service programs from the municipal tax base to the provincial tax base; and

Therefore be it further resolved that: The phased-in upload should be practical and reasonable so that municipalities can adequately plan expenditures and revenues. A phased in approach will also ensure that the province has enough flexibility to ensure that it can continue to produce balanced budgets over the term of the phased upload of social services; and

Therefore be it further resolved that: municipalities be accountable for any increased fiscal capacity created by provincial uploading and ensure that funds are directed in a transparent manner towards addressing the infrastructure deficit.

MOVED: P. Saturno

SECONDED: P. Armbruster

CARRIED

RESOLUTION # 5 (External)

Submitted to: Ministry of Municipal Affairs and Housing
Ministry of Energy and Infrastructure
Ministry of Natural Resources
Association of Municipalities of Ontario

Submitted by: OHBA Land Development Committee

Date: September 21, 2009

Subject: Parkland Dedication / Passive Parkland

Whereas: As required by the Planning Act any development must provide 5% of the land for parkland dedication at the time of development, or up to 1 ha per 300 dwelling units. If the development does not have a park site, the developer is required to pay cash-in-lieu for the value of the land; and

Whereas: Higher density projects in established areas must pay cash-in-lieu of parkland dedication. The high parkland dedication fees discourage high density projects and therefore run counter to provincial intensification objectives; and

Whereas: The cash-in-lieu of parkland fees collected by municipalities significantly adds to the cost of medium and high density projects without drastically improving or adding park facilities within the area of the new development. The increased cost decreases the affordability of housing within urban growth centres and intensification corridors; and

Whereas: Medium and high density projects often include amenity areas to be used by residents of the building. Amenity spaces in condos are similar in function to public parkland. Examples of typical amenities in an average condominium include: roof top gardens, landscaped sitting areas, playgrounds and barbeque facilities which significantly reduces the requirements of public off-site facilities for these residents. Municipalities benefit as they do not have to provide initial capital costs or the ongoing maintenance for amenity space located in condominiums; and

Whereas: In addition to the 5% public parkland dedication, developers are required to cede other lands to Conservation Authorities and municipalities that are often used for trails and other 'passive parkland' purposes;

Therefore be it resolved that: the Provincial Government reduce cash-in-lieu of parkland fees in urban growth centres and intensification corridors to promote intensification and affordability; and

Therefore be it further resolved that: that condominium plans that provide public amenity space receive a significant credit and/or full exemption towards the dedication of parkland or cash-in-lieu of parkland therefore encouraging intensification through improved housing affordability; and

Therefore be it further resolved that: Home builders and/or developers receive a credit towards parkland dedication for lands ceded to Conservation Authorities and/or municipalities for public purposes and passive recreational lands surrounding storm water management ponds. Local residents often use natural areas within Conservation Authority protected lands for passive recreational purposes without detracting significantly from its environmental purpose. Furthermore storm-water drainage easements (where drains may be underground or an open channel) should be included in the dedication as a natural corridor for passive public pathways, fauna and wildlife. OHBA recommends that the *Planning Act* include a provision to allow a credit towards parkland dedication for 'passive parks' in lands ceded to Conservation Authorities, and storm water drainage easements, SWMPs; and

Therefore be it further resolved that: The province encourage pedestrian and bicycle connections through policy changes to parkland dedication policy. The 5% of land for park dedication could, as an option to builders, be split with 4% of lands allocated to parkland and 1% allocated towards trails. Most municipalities currently only accept parkland dedication as flat table land in a park block. If communities are to be more walkable, connected and encourage alternative transportation, then trails should be accepted as part of parkland dedication.

MOVED: D. Tarry

SECONDED: J. Bazely

CARRIED

RESOLUTION # 2 (External)



Submitted to: Ministry of Municipal Affairs and Housing
Submitted by: OHBA Executive Committee
Date: September 22, 2011
Subject: Development Charges Act

Whereas: Ontario and municipalities continue to experience an infrastructure deficit; and

Whereas: The Province of Ontario has increased fiscal support for the expansion and maintenance of core infrastructure and made significant investments in municipal transit systems; and

Whereas: A number of Ontario municipalities are planning to construct higher-order transit lines that have shared funding agreements with the provincial government (in some cases federal contributions also apply). Nonetheless, significant municipal financial contributions to fund the transit lines will be required; and

Whereas: The *Development Charges Act* as it relates to transit funding must not include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 10-year period immediately preceding the preparation of the background study. Furthermore, the increase in the need for service must be reduced by the extent to which an increase in service to meet the increased need would benefit existing development; and

Whereas: Funding the municipal transit expansion contributions through development charges without allocating a significant share of the cost burden across the broader tax base is an inequitable financing solution that requires a small portion of the population (new home buyers) to fund infrastructure that has broad community benefits; and

Whereas: The *Provincial Municipal Fiscal and Service Delivery Review* (PMFSDR) released in fall 2008 is an agreement between the Province of Ontario, AMO and the city of Toronto that uploads a number of services (Ontario Disability Support Program, Ontario Drug Benefit, Ontario Works Benefits and a portion of court security), therefore providing significant additional fiscal capacity for municipalities to invest in core infrastructure. For the year 2011, the estimated net benefit of the uploads is \$947 million, which will rise to \$1.5 billion a year by 2018; and

Whereas: The provincial government increased the capacity of municipal governments to invest in core infrastructure through sharing two cents per litre from gas tax revenues with municipalities for long-term, sustainable support for new transit equipment, fleet maintenance and expanded operations. A total of 89 Ontario transit systems, serving 111 municipalities receive provincial gas tax funding totaling over \$300 million on an annual basis; and

Whereas: The federal Gas Tax Fund (GTF), a key component of the *Building Canada* infrastructure plan, is helping to build Canada's communities by providing predictable and long-term funding in support of municipal infrastructure. From 2007-08 to 2013-14, municipalities will receive a total of \$11.8 billion in gas tax funding.

Therefore be it resolved that: The provincial government consider expanding the successful gas tax program through an additional phase in of 3 cents per litre of the **existing** gas tax as economic conditions improve and the provincial deficit is reduced; and

Therefore be it further resolved that: with the PMFSDR uploads and increasing existing gas tax allocations from the provincial and federal governments to provide core infrastructure funding it would be inappropriate and inequitable to increase government imposed charges on new home buyers through an elimination the 10-year service average provision from the *Development Charges Act*.

MOVED: James Bazely

SECONDED: Diane Murray

CARRIED

RESOLUTION # 4 (External)



Submitted to: Minister of Transport, Infrastructure and Communities (federal)
Minister of Finance (federal and provincial)
Minister of Infrastructure and Transportation (provincial)
Minister of Municipal Affairs and Housing (provincial)
Federation of Canadian Municipalities
Canadian Urban Transit Association
Association of Municipalities of Ontario
Canadian Home Builders' Association

Submitted by: OHBA Land Development Committee

Date: September 24, 2012

Subject: National Transit Strategy (Capital Expansion)

Whereas: Canada remains the only OECD (Organization for Economic Co-Operation and Development) country without a long-term predictable federal transit-investment policy; and

Whereas: A key priority for the federal government should be the expansion of core infrastructure in support of a growing economy and growing population; and

Whereas: OHBA supports a *Long-Term Infrastructure Plan for Canada* that provides stability and predictability for both the federal government's partners at the provincial and municipal level as well as private sector stakeholders. By bringing predictability, accountability and transparency to the process, the private sector can target its resources and make sound investment decisions based on the certainty of future government investments; and

Whereas: Major urban centres across Canada that are growing and intensifying require a dedicated national transit strategy with predictable long-term funding. There is a clear need to coordinate long-term plans and investments with municipal and provincial partners that anticipate future growth and pursue desirable outcomes of infrastructure systems.

Whereas: The Federation of Canadian Municipalities Big City Mayor's Caucus has recommended that the federal government establish a national transit strategy to improve the global competitiveness, quality of life and environmental sustainability of Canada's cities.

Whereas: Safe, reliable and efficient public transit is vital to the movement of people in urban economies, presenting undeniable economic, environmental and social benefits not just for cities and communities, but for the entire nation; and

Whereas: OHBA is generally supportive of the general principles of the Growth Plan for the Greater Golden Horseshoe. However, land-use planning must work in conjunction with transportation planning and the intensification of the largest urban region of the country requires significant transit investments from both the provincial and federal governments.

Therefore be it resolved that: OHBA is supportive of a national transit strategy that dedicates funding to support municipal transit expansion.

MOVED: Kevin Watts

SECONDED: Douglas Stewart

CARRIED

RESOLUTION # 2 (External)



Submitted to: Ministry of Municipal Affairs and Housing
Ministry of Infrastructure & Transportation

Submitted by: OHBA Board of Directors

Date: September 23, 2013

Subject: Development Charges Act – Historic Level of Services

Whereas: The province has increased fiscal support for the expansion and maintenance of core infrastructure and made significant investments in new and expansion of existing municipal transit systems; and

Whereas: The *Development Charges Act*, as it relates to transit funding, should not be amended to include an increase that would result in the level of service exceeding the average level of that service provided in the municipality over the 10-year period immediately preceding the preparation of the background study. While OHBA recognizes significant new investments in transit expansion are necessary, it is not the role of the new home buyers to cover the transit infrastructure deficit that was created by decades of underinvestment by all levels of government; and

Whereas: Funding municipal transit expansion contributions through development charges without allocating a significant share of the cost burden across the broader tax base is an inequitable financing solution that requires a small portion of the population (new home buyers) to fund infrastructure that has broad community and economic benefits; and

Whereas: The *Provincial Municipal Fiscal and Service Delivery Review* (PMFSDR) released in fall 2008 is an agreement between the Province of Ontario, AMO and the City of Toronto that uploads a number of services (Ontario Disability Support Program, Ontario Drug Benefit, Ontario Works Benefits and a portion of court security), therefore providing significant additional fiscal capacity for municipalities to invest in core infrastructure. In the year 2013 alone, the benefit to municipalities as a result of the provincial uploads will total almost \$1.4 billion. Together with the *Ontario Municipal Partnership Fund* (OMPF), the province is providing municipalities with a combined benefit of \$1.9 billion in 2013; and

Whereas: The provincial government increased the capacity of municipalities to invest in core infrastructure through sharing two cents per litre from gas tax revenues with municipalities for long-term, sustainable support for new transit equipment, fleet maintenance and expanded operations. A total of 90 Ontario transit systems, serving 127 communities, receive provincial gas tax funding totaling over \$300 million on an annual basis. The 2013 Ontario Budget notes this investment has yielded \$2.2 billion for public transit since 2004; and

Whereas: The federal Gas Tax Fund (GTF), a key component of the *Building Canada* infrastructure plan, is helping to build Canada's communities by providing predictable and long-term funding in support of municipal infrastructure. From 2007-08 to 2013-14, municipalities will receive a total of \$11.8 billion in gas tax funding.

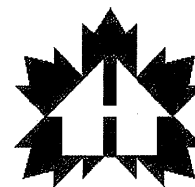
Therefore be it resolved that: the provincial government entrench affordability and fairness as a cornerstone of Ontario's planning system and infrastructure financing framework; and

Therefore be it further resolved that: with the PMFSDR uploads, the OMPF and gas tax allocations from the provincial and federal governments to provide core infrastructure funding, it would be inappropriate and inequitable to close the infrastructure deficit gap that benefits the entire community by increasing government imposed charges on new home buyers through an elimination of the 10-year service average provision from the *Development Charges Act*.

MOVED: Jonathan Whyte SECONDED: Albert Schepers

CARRIED

RESOLUTION # 3 (External)



Submitted to: Ministry of Municipal Affairs and Housing
Ministry of Infrastructure & Transportation

Submitted by: OHBA Board of Directors

Date: September 23, 2013

Subject: Development Charges Act – “Voluntary” Charges

Whereas: The Province of Ontario has increased fiscal support to municipalities for the expansion and maintenance of core infrastructure; and

Whereas: Development Charges (DCs) are a legitimate source of revenue for regions and municipalities when used to offset infrastructure-related costs directly resulting from new growth. The land development and home building industries of Ontario have always recognized this and have never objected to new home buyers paying their fair share of direct growth related costs; and

Whereas: DCs applied, within the scope of the *Development Charges Act* (DCA), are excessive and are placing tremendous pressure on housing affordability and economic competitiveness. A 2013 report by the Altus Group found that since 2004, the municipalities studied in the report had increased DC's between 134% and 357%. Furthermore, 23% of the average price of a new home was Government Imposed Charges (GICs), for which DCs made up the largest component; and

Whereas: Independent of any other national and global economic conditions, reduced housing affordability inevitably constrains local economic development, stifles investment, reduces job growth, and diminishes a municipality's ability to compete with jurisdictions not similarly afflicted ; and

Whereas: Residents are demanding higher levels of service and municipalities are finding creative ways to pay for them. Municipalities are not accepting that they are responsible for costs of services beyond the DCA; and

Whereas: Some municipalities refuse to borrow to fund infrastructure that also benefits existing residents and require “voluntary” payments from industry as well as regional allocation charges; and

Whereas: Some municipalities are leveraging new home buyers to pay more than what they are entitled to collect through the DCA. Industry often succumbs to these voluntary charges which are, in fact, mandatory to have their applications move forward through the planning process; and

Whereas: Voluntary charges in Ontario include fees outside the DCA exceeding service level caps and charges towards items such as town hall space, hospitals, computer equipment, parkland, an NHL sized arena, etc.

Therefore be it resolved that: The provincial government entrench affordability and fairness as a cornerstone of Ontario's planning system and infrastructure financing framework; and

Therefore be it further resolved that: The province eliminate the practice outside the current legislative framework to finance growth-related infrastructure that allows municipalities to levy charges and fees for infrastructure that benefits the entire community outside the scope of the *Development Charges Act*.

MOVED: Albert Schepers SECONDED: Brian Garrard

CARRIED

RESOLUTION # 6 (External)



Submitted to: Ministry of Municipal Affairs and Housing
Ministry of Infrastructure & Transportation

Submitted by: OHBA Board of Directors

Date: September 23, 2013

Subject: Planning Act – Sec 42(1) to (6) and sec 51.1(1) to (5) - Parkland Dedication Policies

Whereas: The provincial government should be committed to ensuring that the provincial legislative, regulatory and policy environments continue to support intensification goals while developing healthy, affordable and livable communities; and

Whereas: Adequate parkland should be provided as Ontario's urban spaces continue to evolve. However, there is a fundamental unfairness in the way parkland contributions for high-density residential housing developments are currently calculated if the maximum rate is applied; and

Whereas: As required by the *Planning Act* any development must provide 5% of the land for parkland dedication at the time of development, or up to 1 ha per 300 dwelling units. If the development does not have a park site, the developer is required to pay cash-in-lieu for the value of the land; and

Whereas: Immediate action is required by the provincial government to support the Provincial Policy Statement (PPS) and the Growth Plan while addressing the inequities of the existing legislation related to the maximum parkland cash-in-lieu formula for infill and intensification projects. The high parkland dedication fees discourage high-density projects and therefore run counter to provincial intensification objectives; and

Whereas: The cash-in-lieu of parkland fees collected by municipalities significantly adds to the cost of mid-to-high-density projects without drastically improving or adding park facilities within the area of the new development. The increased cost decreases the affordability of housing within urban growth centres and intensification corridors; and

Whereas: Higher density projects often include amenity areas to be used by residents of the building. Amenity spaces in condos are similar in function to public parkland and reduce the requirements of public off-site facilities. Municipalities benefit as they do not have to provide initial capital costs or the ongoing maintenance for amenity space located in condominiums; and

Whereas: At the extreme end of the scale, there are scenarios in Ontario where cash-in-lieu of parkland can be equal to or greater than the value of the land;

Therefore be it resolved that: That condominium plans that provide public amenity space receive a significant credit and/or full exemption towards the dedication of parkland or cash-in-lieu of parkland therefore encouraging intensification through improved housing affordability; and

Therefore be it further resolved that: The province amend sec 42(3) of the *Planning Act* to significantly reduce the maximum cash-in lieu of parkland ratio from 1 ha for every 300 dwelling units; and

Therefore be it further resolved that: The province require municipalities to provide alternative parkland dedication policies within Urban Growth Centres and along higher-order transit corridors.

MOVED: Michael Pozzebon SECONDED: Jonathan Whyte

CARRIED



BILD

BUILDING A GREATER GTA
Building Industry and Land
Development Association

March 11, 2013

Sasha Von Kursell MURP, MCIP, RPP
Parks Planning & Policy Coordinator
Parks Planning & Natural Heritage
Town of Richmond Hill
225 East Beaver Creek Road
Richmond Hill, Ontario
L4B 3P4

Mr. Von Kursell,

RE: *BILD Comments for the Town of Richmond Hill Parks Plan, February 11, 2013 Draft*

The Building Industry and Land Development Association (BILD) is in receipt of the *Draft Town of Richmond Hill Parks Plan* (“the Plan”) and we submit the following comments for your review and consideration in advance of the April 2nd Committee of the Whole meeting.

Consultation:

BILD would like to take this opportunity to thank Town staff for meeting with BILD representatives on July 24, 2012 and February 5, 2013 to solicit feedback on the preliminary reports and guiding principles as the Plan was still being created.

We appreciate that we were able to have early and open dialogue, which is essential to the success of all policy reviews. While BILD supports the preparation of a ‘needs assessment’ as forming part of the Plan, we have concerns with a number of aspects of the needs assessment included within the draft report as detailed below.

ITEM 1: Methodology

In an effort to thoroughly review the Plan, BILD retained the planning firm, IBI Group, to assist with our review. IBI’s review of the Plan is on-going and we will be providing additional technical comments under separate cover. These comments will be submitted in advance of the April 2nd Committee of the Whole meeting when the Plan is intended to be tabled.

For now, we understand that the data to support the noted land requirements, that qualify the new land needs, are based on existing residents’ public opinion, land assessment and population projections considerations,. However, the Plan does not account for the costs associated with delivering these services, and the willingness of existing and future residents to pay these associated costs of new parks, and their operation and maintenance.

BILD believes that the methodology for delivering new parkland should be strengthened with the addition of a few sections as detailed below.

RECOMMENDATION 1:

BILD believe that a *financial assessment* section should be added to the Plan, which would outline the costs and willingness of existing and new homeowners to pay for the acquisition of new parks, and their operation and maintenance.

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ITEM 2: Methodology Continued - Benefit to the Existing Population

The Plan is subjectively organized to support the addition of new parkland dedication and associated services at no cost to existing residents who will benefit from added services.

RECOMMENDATION 2:

BILD believes that a *benefit to the existing population assessment* section should be added to the Plan, which should review the catchment area of a given new park and reduce a proportional share of the costs associated to it from new development. This will help to provide a more appropriate balance between the needs and desires of existing residents to ensure that they pay their fair share of the additional parkland supplied.

ITEM 3: Parkland Acquisitions

In our review of the Plan, we note that the report indicates that *it is difficult to facilitate feasible land dedications in high density situations given the relatively small size of development sites. As a result, the municipality will need to accumulate cash-in-lieu payments to purchase sites in high density areas to meet parkland needs, and these sites will be increasingly expensive (p.5).*

RECOMMENDATION 3:

Based on this rationale, the Town should outline a strategy for obtaining lands early in the development of a community to ensure that the Town is receiving the best value for its parkland acquisitions.

ITEM 4: Flat Rate of Cash-in-Lieu of Parkland

We understand the Town previously extended its policy for a flat rate of Cash-in-Lieu of Parkland Dedication (of \$10,000/per unit) to April 11, 2013. Also, that the Town's parkland study will be completed prior to April 2013. As well, that the Town will review the current flat rate with the (then) forthcoming study to determine if any changes are necessary. BILD firmly believes that a review is necessary and that this charge should be reduced.

RECOMMENDATION 4:

We remain concerned with the arbitrary application of the flat fee and we support the mechanism of a gradual scale that caps the parkland dedication fees, as first noted in our briefing note to Council in March 2011 (see attachment). By considering these two mechanisms, the Town will not only be promoting economic development, but will also support the achievement of Province's/Region's/Town's intensification objectives, particularly in the higher density centres and corridors.

ITEM 5: Intensification Objectives

The guiding principles of the Plan (bottom of p. 4) *indicate that greenroofs and privately-owned landscaped areas around apartment buildings and condominiums are similar to backyards in suburban areas – they do not replace the need for Neighborhood Parks.* BILD does not agree with this statement. On-site amenities such as gyms, pools and tennis courts etc. which are supplied within new condominium apartment buildings cannot be supplied (in whole) in typical backyards of suburban homes, and would reduce the burden on public facilities. Additionally, the provincial *Growth Plan* and Richmond Hill's *Official Plan* intensification objectives direct planning to be sustainable for complete communities. As the shift towards complete communities occurs, urban land will need to be used more efficiently. Finally, other municipalities recognize that incentives for high-density developments are warranted and in turn they have implemented mechanisms which support this type of housing.

RECOMMENDATION 5:

We would strongly recommend that the guiding principle: *Neighbourhood Parks are not just for low density areas* be revised to remove the second sentence. Also, we believe that the Town should include an *incentives for high-density developments* section to the Plan, similar to the forthcoming *credits report* in the City of Vaughan.

Again, we thank you for the opportunity to submit comments and we would be pleased to speak with you at your earliest convenience. Please feel free to contact the undersigned if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Danielle Chin'.

Danielle Chin, RPP, MCIP
Senior Planner, Policy & Government Relations

CC: *Michael Pozzebon, BILD York Chapter Chair*
Paula Tenuta, Vice-President, Policy and Government Relations
BILD York Chapter Members

July 30, 2012

Ms. Liana Haughton
Senior Manager of Real Estate
City of Vaughan
2141 Major Mackenzie Drive
Vaughan, Ontario
L6A 1T1

Re: Cash-in-Lieu of Parkland Dedication High Density Residential Development

Dear Ms. Haughton,

The Building Industry and Land Development Association is in receipt of staff report entitled *Cash-in-Lieu of Parkland Dedication High Density Residential Development* and the presentation from the June 18th City of Vaughan's Finance & Administrative Committee, and we offer you the following comments to discuss at our July 30th consultation meeting.

In an effort to comprehensively review this proposal, BILD created a working group made up of active York Chapter members. This group met with staff on June 13th to discuss our preliminary issues. On July 24th our working group met to discuss the proposal, as well as to review the concerns and suggestions made by deputants at the June 18th committee of the whole meeting, and prepare the following list of issues and suggestions.

IN PRINCIPLE

We believe that the process for this review should be produced in conjunction with the City of Vaughan's Official Plan exercise. Neighbouring municipalities have also followed this process in their own reviews. We believe that linking the reviews together is essential because many of the planning policy principles from the OP inform this proposal, which will directly affect the quantum of fees, and /or the formula/rate being applied, which should be done equitable for all product types.

(a) REQUEST FOR BACKGROUND INFORMATION

In an effort to comprehensively understand this proposal, we would like to request the amount of acres of parkland that the city is aiming to obtain as part of their parks program and the location of these sites. An illustration or mapping of this program would help our working group fully understand the methodology that the city has used. Additionally, we would like to request the amount of cash-in-lieu needed to this acquire parkland, and the current CIL balance, and historical acquisition values.

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(b) PROACTIVE PARKLAND INVESTMENTS

We support a parks program that seeks to make proactive investment in land bank park sites for current/future development. We believe that acquiring these sites should occur well in advance of the development applications in queue coming to market, to ensure they can be acquired by the city well in advance of a potential price increase and ready for the use of forthcoming residents.

(c) PRIORITIZE THE PROVINCIAL INTENSIFICATION OBJECTIVES

We believe the application of parkland dedication policies at its maximum of 1 hectare for every 300 dwelling units runs counter to the intensification targets found in the *Growth Plan, 2006*. The Province of Ontario has advocated for intensification to be the key direction for managing growth in communities throughout the Greater Golden Horseshoe in its Places to Grow Plan. Integral to the Growth Plan is an emphasis on intensification and re-urbanization of existing built-up areas. In an effort to promote intensification in urban areas, they also provided a "Reduction in Parkland Dedication Payments" which outlines tools that a municipality can utilize to overcome some of the unintended effects. We support these tools and encourage the city to consider these options for all areas of the city.

(d) IMPLEMENT INNOVATIVE SOLUTIONS

BILD is concerned by the quantum of the charge; therefore we would support a reduced ratio. BILD recommends that the city consider a 'cap' on the formula that puts a ceiling on the maximum amount of parkland requirements to be obtained from a development, based on its size along a graduated threshold. Furthermore, the formula should be reduced to 0.4/ha for every 300 units, commensurate with an intensifying jurisdiction.

Where high density developments provide facilities, such as open space, exercise equipment, easements over open space in condominium lands for public through fare, etc., a discount on parkland requirements or levies could be provided.

In addition to developer/builder discounts for providing amenities as indicated above, consideration could be given to providing a tax rebate back to the homeowner representing the capital/operating savings to the municipalities.

Section 42.(6.2) and (6.3) of the *Planning Act* also permits the municipalities to invoke a reduction in parkland dedication payments if sustainability features are included in development proposals. We support the above noted tool and encourage the city to utilize it.

In an era of intensification, our members continuously seek efficiency in land use patterns. Perhaps there is an opportunity to look at an alternative to the definition of Parkland, stratified title agreements is one method of creating efficiencies in land use designs.

Additionally, if we view parkland as open space for recreational purposes, then we should also be able to include green roofs, woodlots, plazas, public/private easement and dry stormwater management ponds into the classification of parkland dedication. If no credits are to be provided, the current rate of \$4100 should be maintained in conjunction with a cap formula rate of 0.4 ha/300

units. Also, the city should apply the formula on a person per unit basis to ensure each apartment is equitably taxed.

NEXT STEPS

BILD appreciates the opportunity to submit comments and we look forward to meeting with you again in advance of a final staff report being brought to Committee in the fall. Please feel free to contact the undersigned if you have any comments or concerns.

Sincerely,



Danielle Chin, MCIP, RPP
Municipal Government Advisor

CC: *John MacKenzie, Commissioner of Planning, City of Vaughan*
Michael Pozzebon, BILD York Chapter Chair
Paula Tenuta, Vice President, Policy & Government Relations, BILD
BILD Vaughan Parkland Dedication Working Group

With more than 1,350 members, BILD, formed through the merger of the Greater Toronto Home Builders' Association and Urban Development Institute/Ontario is the voice of the land development, home building and professional renovation industry in the Greater Toronto Area. We are proudly affiliated with the Ontario and Canadian Home Builders' Associations.

Across the Greater Toronto Area, more than 193,300 jobs were created in the new home construction, land development and renovation fields in 2011. Those jobs generated more than \$10 billion in wages, which ripple out as purchases across the local economy, and provide more than \$6.5 million in provincial and federal government revenues last year.



BUILDING A GREATER GTA
Building Industry and Land
Development Association

April 15, 2013

Mayor Dave Barrow and Members of Council
Town of Richmond Hill
225 East Beaver Creek Road
Richmond Hill, Ontario
L4B 3P4

Dear Mayor Barrow and Members of Council,

**RE: *Town of Richmond Hill Parks Plan and Parkland Dedication By-Law
REQUEST FOR DEFERRAL until the OMB has concluded its deliberations on the new Official Plan***

In light of the recent decision at the April 2nd Committee of the Whole meeting, followed by the April 8th meeting of Town Council to refer the Town's proposed Parks Plan and by-law to its April 15th meeting, which allowed for additional consultation between staff and the parties, the Building Industry and Land Development Association kindly submits the following comments for your consideration at the April 15th Committee of the Whole meeting.

SHARED COMMITMENT TO PARKS

BILD members are proud to implement a parks plan in partnership with the Town of Richmond and our members understand and appreciate that parks are an important and integral part of the public realm that support complete communities.

In understanding our shared commitment to parkland, BILD members have comprehensively reviewed this plan and by-law in support of its successful implementation. Through this review many issues have been raised, but of primary interest is the matter of affordability for new or relocating residents of Richmond Hill and its significant impact. BILD members have expressed enormous concern and are overwhelmed by the Town's proposal to potentially triple the parkland fee.

While BILD members maintain committed to parks and associated services, the fees for cash-in-lieu of parkland dedication are completely passed onto the new home purchasers through their purchase and sale agreements. Therefore we believe the plan to obtain parkland through dedication and cash-in-lieu must also consider the matter of affordability.

THE RISING COST OF GOVERNMENT IMPOSED FEES

Recently, BILD retained Altus Group to prepare a report entitled "*Government Charges and Fees on New Homes in the Greater Toronto Areas.*" The report attempts to help readers understand the variety of charges imposed by the different levels of government and the significant costs associated with the approval, building, development and ultimate occupancy of new homes across the GTA. This report is currently in draft and will be publicly released in the coming weeks. In advance of the release of this report, it is essential to highlight some of the key findings of this report that lend itself to this discussion of the growing concern for affordability.

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Of notable mention from this report, “the issue of housing affordability poses significant challenges for the industry as it does for homebuyers in the GTA. Since 2005, the average selling price of new low-rise homes in the GTA has increased by 70 percent, while the average selling price of new high-rise homes has increased by 61 percent.”

Additionally, “while the cost of housing is also driven by a range of economic and market factors outside of the scope of this study, the increase in government charges has also been a factor in the increased price for new homes in the GTA” and “in most municipalities, the most significant government charge for new homes are development charges, which comprise from 33 percent to 52 percent of the government charges on new homes.

When considering these findings in the context of Richmond Hill’s government-imposed fees;

Today, a new or relocating resident would contribute \$10,000 in fees for parks and associated services and tomorrow a new homeowner may be required to contribute more than \$29,500 in fees (as seen on page 3 of the April 2nd Staff Report). Potentially tripling the amount of fees required by new homeowners is significantly challenging for entry level purchasers that are hoping to enter into new homeownership.

This proposal has the potential to be more costly than the Town’s own development charges, which we understand is also scheduled for review shortly. The combine effects of this proposal with the existing Development Charges, as well as other associated fees is an unsustainable model.

A balanced approach for parks and maintaining the affordability of new homeownership is required.

CONSULTATION

BILD would like to take this opportunity to thank the members of Committee of the Whole for their original decision to refer the Parks Plan and By-law to the next cycle of Town meetings. While we appreciate this additional consultation time and staff’s associated efforts, we continued to find it difficult to schedule a meeting with the appropriate parties in such a short timeframe.

BILD representatives were able to meet with Town staff on April 12th. Unfortunately, at this meeting we quickly learned that the Staff Report for April 15th Committee of the Whole meeting was already submitted.

RECOMMENDATIONS

We acknowledge that the Town has internal deadlines that must be adhered to and in turn we suggest that Council pause this process and defer the Parks Plan and by-law for the reasons listed above and below (but, not limited to following):

- i. Subsequent to our consultation meeting with Town staff, we remain significantly concerned with the ramifications of adopting this Parks Plan and by-law in accordance with the existing Official Plan, while the new OP is currently under review at the Ontario Municipal Board, especially as the parks policies in the new OP is a contested policy section of the OMB appeal. It is for this reason that we believe the Parks Plan and by-law is being brought forward prematurely.

- ii. While staff did a good job of explaining their methodology for the needs assessment given the timeframe for this additional consultation period, we still have outstanding questions and in turn remain concerned with various aspects of the methodology. For example, it is still unclear how lands that are dedicated to the Town are removed from the total calculation of cash-in-lieu for required parkland.
- iii. In our discussion with staff we were able to reach a mutual agreement that the potential for strata parks should be incorporated into the Parks Plan and/or the by-law. Unfortunately, staff did not have enough time to capture this change in the Parks Plan or the by-law and we would appreciate the opportunity to make this change.

As first noted by Mark Flowers, Partner, Davies Howe Partners LLP, in his April 1st letter to Council, we reiterate that it would be premature to adopt the Parks Plan and by-law at this time, especially insofar as the Parks Plan is intended to “inform the implementation” of the parkland policies in the Town’s new Official Plan. Therefore we would ask that Council defer the proposed Parks Plan and by-law, until the OMB has concluded its deliberations on the new Official Plan.

Again, we thank you for the opportunity to submit comments and we would be pleased to speak with you at your earliest convenience. Please feel free to contact the undersigned if you have any questions.

Sincerely,



Danielle Chin, RPP, MCIP
Senior Planner, Policy & Government Relations

CC: *Michael Pozzebon, BILD York Chapter Chair*
Paula Tenuta, Vice-President, Policy and Government Relations
BILD York Chapter Members



June 10, 2013

Regional Councillor Jim Jones and Members of the Development Service Committee
101 Town Centre Boulevard
Anthony Roman Centre
Markham, ON
L3R 9W3

Dear Regional Councillor Jim Jones and Members of the Development Service Committee,

**RE: *June 11th Development Services Committee Meeting
Review of Parkland Dedication By-law, Policies and Practices – Final Recommendations***

The Building Industry and Land Development Association is in receipt of the staff report and presentation for the final recommendations for City of Markham's Review of Parkland Dedication By-law, Policies and Practices and we kindly submit the following comments for your review and further consideration at the June 11th Development Services Committee meeting.

During the course of this review, BILD representatives and members have been actively meeting with staff and submitted a letter dated April 1st (as attached) for the aforementioned review. We appreciate the time and efforts to review our suggestions and we believe the graduated approach to parkland dedication for higher density development could be strengthened if our original recommendations were incorporated into the final parkland dedication by-law.

We acknowledge that staff and the consultant have revised the graduated approach; however, we have heard from our membership that the staff recommended "Option 2. The More Complex Approach" is actually less of an incentive than staff's original proposal. For example, BILD has been advised by several of its active York Chapter members that achieving a 6.0 FSI is rare in the City and the case study example on page 4 of the presentation, which examines a 31.7% savings to a project, would only be achievable with about a 80-storey point tower building when setbacks, roads, parkland dedication and urban design elements are taken into account. We believe that there is a better approach for high rise incentives in Markham. As follows:

Our suggested graduated approach is to provide about a 38% savings for high rise buildings, for typical high rise buildings that are constructed in the City of Markham. In order to achieve this, the graduated approach would provide two categories:

- The first category: would maintain that less than 2.5 FSI would utilize a rate of 1.2 ha/1000 people.
- The second category: above 2.5 FSI would be revised to a 0.3ha/1000 people (*to a maximum savings of 38% overall or described as 0.75ha/1000 people*). *In no event shall Parkland Requirement be reduced beyond 0.75ha/1000 people or 38% overall.*

Acknowledging that the provincial Growth Plan and the City's Official Plan seeks to intensify land uses, especially within centres and corridors, it would prove more beneficial to the City's economic prosperity to provide incentives for high density development that applicants can actually utilize.

We believe the graduated approach provided above is more consistent with the land use designations and anticipated development forms identified in the new Markham Official Plan and better address BILD's concerns with current parkland policy.

Please feel free to contact the undersigned if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Danielle Chin', with a stylized flourish at the end.

Danielle Chin, RPP, MCIP
Senior Planner, Policy & Government Relations

*Cc: Paula Tenuta, Vice President, Policy & Government Relations
Michael Pozzebon, York Chapter Chair
BILD York Chapter Members*



BUILDING A GREATER GTA
Building Industry and Land
Development Association

April 1, 2013

Mr. Tom Vilella, CPT, MCIP, RPP
Senior Projects Coordinator, Zoning and Special Projects
Planning and Urban Design Department
City of Markham
101 Town Centre Boulevard
Markham, ON
L3R 9W3

Dear Mr. Vilella,

RE: *BILD Comments for the City of Markham's Review of Parkland Dedication By-Law, Policies and Practices*

The Building Industry and Land Development Association (BILD) is in receipt of the City of Markham's report on the *Review of Parkland Dedication By-Law, Policies and Practices, dated January 22, 2013* (the "Report") and on behalf of our members we submit the following comments for your review and consideration.

BILD would like to take this opportunity to thank city staff for meeting with BILD representatives on March 8th to review the proposed by-law and associated policies. We appreciate the ability to have early and open dialogue, which is essential to the success of all policy reviews.

We appreciate that the Report acknowledges many of the industry's concerns, including the concern that the *Planning Act* standard acts as a disincentive to higher density development projects because the standard was created with low density housing in mind. Throughout the stakeholder consultation process, our primary concern remained the parkland requirement calculation for high density residential projects. As a response to this concern the Report recommended a graduated scale model whereby high density projects would receive an overall reduction in the parkland requirement depending on their density measured by floor space index ("FSI").

We support the proposed mechanism of a graduated scale model ("the Model") to encourage high density residential development projects. BILD believes this is a very progressive step.

BILD has been advised by its active City of Markham landowners that the two upper-tier thresholds (as seen in the proposed Model) are a rare building form in Markham and that typically high density development occurs within the 2.5 and 5.0 FSI category. Therefore, the Model attributes the highest grade of incentive to a high density development form that is rarely built or proposed to be built. As such, BILD believes that the Model could be strengthened to be more reflective of the current market conditions. Our recommendations on the Model follow immediately below.

1. As an alternative, we believe that the percentage of reduction in the parkland dedication requirement should be described in a weighted average to depict the overall savings of a high density development

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project. We believe that only depicting the percentages of reduction (75%, 50%, and 25%) for the given component of the building is misleading to the reader.

2. The Model provides for definitions of FSI, Gross Floor Area, and Gross Land Area that stray from industry standards. Specifically, the definition of Gross Floor Area should be broadened to all areas in the building envelope including commercial areas (for mixed use buildings) where appropriate. In addition, the Gross Land Area must also only consider the site plan or lot that the building(s) are situated on. Any adjoining parkland or other green lands that are available to the general public should be excluded. We would encourage the City to consider the definitions of these three terms as they are found in the Provincial Ministry of Municipal Affairs and Housing (<http://www.mah.gov.on.ca>).
3. When presenting the Model, the City consultant provided by way of example, a high rise development that would benefit from the Model's graduated reduction in parkland requirements. The example assumed a site plan density of 10.0 FSI which then resulted in an overall parkland requirement of 0.75 hectares/1000 population or a reduction of 38%.

BILD believes that while the result is an appropriate reduction for high density projects, the underlying assumption of 10.0 FSI is not representative of built form densities in Markham. To date no completed project in Markham has achieved a density approaching 10.0 FSI and the top tier of FSI values are between 3.5 – 5.0 FSI. This is due to height restrictions resulting from traffic and transportation issues, and broader planning constraints which are unlikely to change in the near future. Under the existing Model, a typical 4.0 FSI high rise development would only reduce the parkland requirement by 9%.

As an alternative, we believe the Model should be adjusted to provide the same 38% reduction or 0.75 hectares/1000 population rate for more typical high density development in Markham (5.0 FSI). With this reduction achieved for 5.0 FSI buildings, no further reduction would be necessary beyond 38% or 0.75 hectares/1000 population for buildings denser than 5.0 FSI and a floor could be incorporated into the Model.

In order to achieve this, the Model would provide two (rather than four) categories:

- (i) Less than 2.5 FSI, 1.2 hectares/1000 population, and
- (ii) Greater than 2.5 FSI, 0.3 hectares/1000 population, provided that in no event shall the overall parkland requirement for the project be reduced beyond 0.75 hectares/1000 population overall. (See below: *Figure 1. Alternative Graduated Scale Model for High Density Development Projects*) and *Figure 2. Application of City Proposed Model and Alternative Model to Markham Projects*).

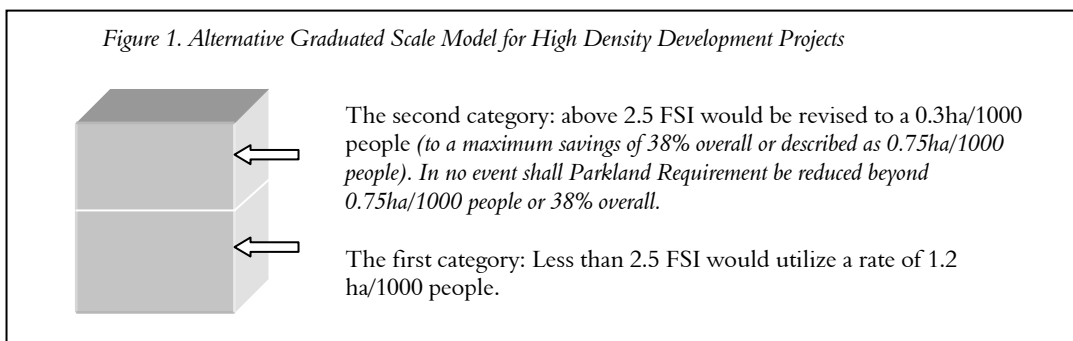


Figure 2. Application of City Proposed Model and Alternative Model to Markham Projects

| <i>Project FSI</i> | <i>City Model – Parkland Requirement (Reduction %)</i> | <i>Alternative Model – Parkland Requirement (Reduction %)</i> |
|--------------------|--|---|
| <i>3.5*</i> | <i>1.11 ha/1000 ppl (7%)</i> | <i>0.94 ha/1000 ppl (21%)</i> |
| <i>4.0*</i> | <i>1.09 ha/1000 ppl (9%)</i> | <i>0.86 ha/1000 ppl (28%)</i> |
| <i>4.5*</i> | <i>1.07 ha/1000 ppl (11%)</i> | <i>0.80 ha/1000 ppl (33%)</i> |
| <i>5.0*</i> | <i>1.05 ha/1000 ppl (13%)</i> | <i>0.75 ha/1000 ppl (38%) [Floor]</i> |
| <i>6.0</i> | <i>0.98 ha/1000 ppl (19%)</i> | |
| <i>9.0</i> | <i>0.8 ha/1000 ppl (33%)</i> | |
| <i>10.0</i> | <i>0.75 ha/1000 ppl (38%)</i> | |
| <i>11.0</i> | <i>0.71 ha/1000 ppl (41%)</i> | |

**Project FSI typically approved by the City for Markham High Density Developments*

This alternative model is more consistent with the land use designations and anticipated development forms identified in the new Markham Official Plan and better address BILD’s concerns with current Parkland Policy. Acknowledging that the provincial Growth Plan and the City’s Official Plan seeks to intensify land uses, especially within centres and corridors, it would prove more beneficial to the City and its applicants to promote high density development using the suggested alternative to the Model.

BILD also believes that ‘strata parks’ are another mechanism to modernize planning policies in an effort to obtain parkland. This mechanism creates efficiencies and promotes flexibility in land-use designs. We support this mechanism and encourage the City to utilize it.

The Report lists the types of land acceptable and not acceptable for parkland conveyance. In this list, buffers are not acceptable for parkland conveyance. However, we understand that previously buffers were acceptable in Markham Centre, and therefore we would encourage you to reconsider buffers as an acceptable parkland conveyance across the City.

Again, we thank you for the opportunity to submit comments and we would be pleased to speak with you at your earliest convenience. Please feel free to contact the undersigned if you have any questions.

Sincerely,



Danielle Chin, RPP MCIP
Senior Planner, Policy & Government Relations

Cc: Paula Tenuta, Vice President, Policy & Government Relations, BILD
Michael Pozzebon, BILD York Chapter Chair
BILD York Chapter Members

MEMORANDUM

To: John Spencer, MCIP, RPP, Manager, Parks and Facility Planning
 Planning Policy and Growth Management Division
 Planning Design and Development Department
 City of Brampton

From: BILD Peel Chapter – Brampton Parkland Working Group

Subject: Brampton Phase 2 Parkland Dedication By-Law Review

Date: January, 14, 2013

On behalf of the BILD Peel Chapter members, we greatly appreciate the upfront and early consultation with our industry on this matter.

In advance of our meeting, BILD submits the following recommendations for your review and consideration:

1. Definition of “Rowhouse”:

- As some types of rowhouses have a comparable density to apartments, BILD is of the position that the specific dwelling types (freehold, stacked, condo and back-to-back) need to be included in the definition.
- By dividing the rowhouse definition into these four categories, it is BILD’s hope that this more affordable housing type is not penalized, especially as it is a product that the City encourages and promotes.

Recommendation:

| | 2012 (Current) | | 2013 (City Proposed) | | 2013 (BILD Proposed) | | |
|----------------------|------------------|---------|----------------------|-------------------------------|----------------------|---------|----------|
| | \$/acre | CIL | \$/acre | CIL | \$/acre | CIL | |
| | (Day before DPA) | \$/unit | (Day before DPA) | \$/unit | (Day before DPA) | \$/unit | |
| SF & SD units | 4450K/ac | \$3,706 | \$550K/ac | \$4,530 | \$550K/ac | \$4,530 | |
| Row houses | \$750K/ac | \$6,177 | \$850K/ac | \$7,000 | N/A | N/A | |
| Street freehold TH's | N/A | N/A | N/A | N/A | \$850K/ac | \$7,000 | 12.5 upa |
| Condo TH's | N/A | N/A | N/A | N/A | \$850K/ac | \$4,400 | 20 upa |
| Back2Back TH's | N/A | N/A | N/A | N/A | \$850K/ac | \$3,500 | 25 upa |
| Stacked TH's | N/A | N/A | N/A | N/A | \$850K/ac | \$1,750 | 50 upa |
| Apartment | \$400K/ac | \$3,300 | \$1,575K/ac | \$5,190 (w/ 60% reduction) | \$1,000K/ac | \$3,300 | |
| Commercial | \$850K/ac | N/A | \$1,000K/ac | N/A | \$1,000K/ac | N/A | |
| Institutional | \$550K/ac | N/A | \$600K/ac | N/A | \$600K/ac | N/A | |
| Industrial | \$550K/ac | N/A | \$575K/ac | N/A | \$575K/ac | N/A | |

2. Condo Public Amenity Space:

- It is BILD’s position that private amenity space should receive a CIL parkland credit as it serves the need of public parks. Any CIL of parkland on top of this private amenity space would be a double dip.
- As such, BILD believes that their needs to be acknowledgement as these park service the parkland needs of the adjacent residents and furthermore all the maintenance costs are carried by the residents

Recommendation:

- The city could consider a ‘cap’ on the formula that puts a ceiling on the maximum amount of parkland requirements to be obtained from a development, based on its size along a graduated threshold. Furthermore, the formula should be reduced to 0.4/ha for every 300 units, commensurate with an intensifying jurisdiction.
- Where higher density developments provide facilities, such as Tot lots, play facilities, passive recreational space, gazebo’s, green roof, bicycle racks, interior courtyard areas with public easements, open space, easements over open space in condominium lands for public through fare, dry storm water management ponds etc., and a discount on parkland requirements or levies could be provided.
- The City should also consider providing credit for on-site amenity areas for condo developments. If a condo development is providing on-site amenity comparable to neighbourhood park standards to service its own development, the CIL charge applicable to the units should only be the prorata payment remaining for community and city park value. ie. Neighbourhood, community and city park requirements are calculated as land area required based on 1,000 persons as noted below:

| Park Type | Land Area (per 1,000) | Percentage (%) |
|---|------------------------------|-----------------------|
| City | 0.6 HA | 41.37% |
| Community | 0.35 HA | 24.13% |
| Neighbourhood | 0.5 HA | 34.48% |
| Total | 1.45 HA | 100% rounded |
| Therefore, 65.5% payment of CIL value per unit for applicable development type. | | |

3. Apartment CIL Rate:

- BILD thanks the City for including a 60% reduction in the proposed rate to help support intensification through higher-density development. BILD has deemed this discount as a Best Practise, that we believe should be replicated by other local municipalities’ when reviewing their parkland dedication by-laws. The 60% discount to the CIL rate is based on an inflated apartment land value (\$1,575,000).
- That being said, BILD believes that any increase to the apartment rate will be a disincentive to the type of housing development the City desires, as it will render many (if not all) higher density projects in the City of Brampton no longer feasible.

Recommendation:

- BILD suggests that the apartment (high rise) CIL rates developed through the Appraisal is somewhat misleading and recommends that the City maintain the status quo to the 2012 level (\$3,300/Unit).

4. Mixed Use/Live Work:

- As included in the current by-law, in section 3.(d) the City double counts the parkland dedication it requires by charging for both residential and non-residential.

Recommendation:

- BILD recommends that the City utilize a more equitable approach, which is the practise of the City of Mississauga and the Town of Richmond Hill (both examples provided below):
 - City of Mississauga (BY-LAW: 0166-2007): “Mixed Use: The applicable percentage rate regarding the amount of land conveyed shall be calculated by determining what the predominant use on the land is and then the percentage rates set out”
 - Richmond Hill (BY-LAW: 97-08): “Mixed Use: Land will be conveyed at the rate applicable to the predominant proposed use and all land proposed for development will be included in calculating the required amount of land to be conveyed”

5. Additional Information Requests:

- BILD requests that the following information be provided:
 - The background report and all details on the large scale planned land assemblies i.e. Riverview, Countryside, 427, Heritage Heights.
 - The background report and all details on the parkland service level drop of 4.5ac/1000 persons to 3.5ac./1000 persons.

Conclusion:

As interested and affected stakeholders, BILD members continuously strive for transparent and cooperative working relationships with our municipal partners. We trust that you will take all of our recommendations under advisement and we look forward to our continued discussions on this matter.



BUILDING A GREATER GTA
Building Industry and Land
Development Association

October 22, 2013

Mayor Susan Fennel & Members of City Council
City of Brampton
2 Wellington Street West
Brampton, ON
L6Y 4S2

Dear Mayor Fennel & Members of Council,

Re: City of Brampton Parkland Dedication By-law Review – Phase 2

The Building Industry and Land Development Association (BILD) is in receipt of the City of Brampton's recommendation report for the ***Parkland Dedication By-law Review – Phase 2 – Amendments to the Official Plan and Enactment of a New Brampton Parkland Dedication By-law, 2013.***

BILD would like to once again thank City staff for the commitment to consultation with the Peel Chapter and the continued effort to listen to the development industry's concerns on the implementation of parkland policies and CIL collection.

BILD and its members have had numerous consultation meetings with the City of Brampton staff to discuss the proposed amendments of Phase 2 of the Parkland Dedication By-law Review and had provided extensive feedback on the proposed changes that reflect the planned amendments to the methodology of obtaining parkland or cash-in-lieu (CIL).

BILD appreciates that many of our concerns have been addressed in the Phase 2 report, but would like reiterate the request and report recommendation that Council direct staff *“to prepare a Standard Operating Procedure (SOP) intended to provide enhances detail on parkland dedication/CIL collection procedures, in alignment with the new Brampton Parkland Dedication By-law, 2013, as adopted, and communicate with external stakeholders (e.g. BILD) to ensure its clarity.”*

As noted within the staff report, BILD had informally expressed to staff the desire to see the City prepare a Standard Operating Procedure (SOP) that would detail parkland dedication calculation methodologies for all application situations. This would provide the development industry assurances of how the by-law would be interpreted and applied, in addition to understanding how the City's standard draft plan conditions would be affected by the by-law.

As such, ***BILD requests that staff schedule a consultation meeting(s) with BILD and its stakeholders, in order to finalize the draft SOP/Prospectus for General Administration of the By-law (Appendix 2), and draft Standard Draft Plan Conditions and Subdivision Agreement Clauses Re: Parkland Dedication (Appendix 3).***

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Lastly, it is important to note that the industry strongly believes that growth must pay for growth, but it is very important that Council understand how increased CIL rates per unit will impact future affordability of new home ownership in the City. Any increase in CIL rates will have an impact on housing affordability, because generally, all government imposed costs incurred by developers are transferred on to the purchasers/future residents through the cost of a new home.

On behalf of the BILD Peel Chapter members, we thank you for the opportunity to submit this letter and we trust that you will take these comments into consideration. Once again, we greatly appreciate the consultation with our industry on this matter and look forward to further consultation with City staff on this matter.

If you have any questions or concerns, please do not hesitate to contact the undersigned.

Best regards,

A handwritten signature in black ink, appearing to read 'P. Tenuta', with a stylized flourish at the end.

Paula J. Tenuta, MCIP, RPP
Vice President, Policy & Government Relations

*Cc: John Corbett, MCIP, RPP, Commissioner of Planning, Design and Development, City of Brampton
John Spencer, MCIP, RPP, Manager, Parks and Facility Planning, City of Brampton
Darren Steedman, BILD Peel Chapter Chair
BILD Peel Chapter Members*



BUILDING A GREATER GTA
Building Industry and Land
Development Association

January 25, 2012

Mr. John Corbett, MCIP, RPP
Commissioner of Planning, Design and Development
City of Brampton
2 Wellington Street West
Brampton, ON
L6Y 4S2

Dear Mr. Corbett,

Re: City of Brampton Parkland Dedication By-law Review

The Building Industry and Land Development Association (BILD) is in receipt of the City of Brampton's Draft Notice and Draft Letter to Applicants for the **Parkland Dedication By-law Review** and we appreciate that you and your staff have consulted with the BILD Peel Chapter on this matter. It is our hope that all matters can be resolved before it is brought forth to Committee. As such, BILD submits the following comments for your review and consideration at the pending Committee of Council meeting.

BILD RECOMMENDATIONS:

Deferral of Committee Date until receipt of the Final Valuation Rates:

In October, BILD and its members had several meetings with City staff to discuss the proposed implementation of Phase 1 of the Parkland Dedication By-law Review, which is an application of the By-law as written using updated land values to calculate Cash in Lieu (CIL) payable on plans of subdivision. As understood from the letter sent to BILD on December 22nd, the final report was slated to be completed by the first week of 2012 and would include the *updated Average Land Values for Plans of Subdivision & Average Land Values for Other Forms of Development*. Thus far, the finalized report and land valuations have not yet been released for public or industry review.

Appreciating that it is now January 25th, we are asking Council to defer Phase 1 of the report in order to allow BILD members a sufficient amount of time to review the report.

The Average Land Values are a very critical and important component of the by-law. BILD requests that the valuations be given well in advance of the next Committee of Council meeting, in order to allow for meaningful consultation which can include a peer-review of the rates and an open dialogue. This will ensure a transparent public process.

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Current School Sites Policy:

BILD has been provided with a comprehensive review of the City's current and proposed Parkland Dedication By-law. We have been informed that a 2010 amendment to the City's Parkland Dedication By-law (41-2000) has required school boards (an Institutional use) to contribute 2% of school block areas as a CIL of parkland payment, regardless of whether the school block was contained within a residential plan of subdivision for which the City applied the 1 hectare (ha) per 300 unit calculation. This further payment has been levied at the building permit stage and the value is determined by the City as of the day before the first building permit is issued.

The City's ability to require parkland dedication must find its authority in the *Planning Act* (Section 51.1) and have regard to the provisions of the Brampton's Official Plan, the Parkland By-law, as well as precedent case law, (all of which are extensively discussed in the memo attached). As per the attached, it is the BILD opinion that:

1. The City's current policy of assessing a parkland obligation of 1 ha per 300 units at the plan of subdivision stage **and** requiring school boards to contribute a further 2% CIL of parkland payment at the time building permits are issued for land within the same plans of subdivision, is **not** authorized by the *Planning Act*;
2. With regard to the the City's proposed parkland policy, if the City elects to apply its alternative standard of 1 ha per 300 units as a parkland contribution obligation for land within a residential plan of subdivision, the City has no legal authority to levy an additional 2% for schools or any other use that is ancillary to the predominant residential use prior to subdivision registration;
3. Where the City has entered into a comprehensive prepayment or acquisition agreement for Parkland or CIL with a group of landowners, the terms of the agreement should be deemed to satisfy CIL obligations for all lands within the Block.
4. The City retains the right to impose a parkland contribution obligation on land within a residential plan of subdivision which is the greater of:
 - a. 5% of the land to be developed; or
 - b. 1 ha per 300 residential units; and
5. The City retains the right to require parkland contributions for land within a residential plan of subdivision, whether in parkland dedication and or CIL of parkland payments, at either the plan registration or building permit stages pursuant to either Section 51.1 or 42, but **not both**. Only when there has been a change in use or density between the date a plan of subdivision is registered and the date a further subdivision or site plan application is approved, the City is entitled to require additional parkland payment or contribution at the building permit stage.

Based on this legal opinion, the Ontario Municipal Board has ruled on this matter and agrees with the BILD position.

Deferral of CIL Calculations:

City staff is proposing to revise the current application of the Parkland By-law by collapsing the two collection stages for CIL of parkland. City staff now proposes to collect CIL for parkland payments for

land (defined as Residential, Commercial, Industrial, Institutional, as well as all other uses), **only** at the time plans of subdivision proceed to register. In the Draft Notice, the revised policy reads:

1) Draft Plans of Subdivision:

- a) *Parkland Dedication requirements for draft plans of subdivision shall be calculated on all lands identified within the plan, and shall be satisfied through the conveyance of land for park purposes or CIL, at the City's discretion and per normal planning processes, **prior to plan of registration**, with the effective date for CIL valuation for any CIL-payable being the day prior to draft plan approval;...*

It is important for the City to recognize the effects the proposed policy will have on intensification and growth objectives. They appear to be in direct conflict and in the current proposed form, may not assist the City in achieving its stated intensification objectives and Provincial Growth Plan intensification targets.

Directly related to this is the proposed timing for collection of payment associated to high density sites, ***BILD recommends that the City review its current proposal for the calculation of cash-in-lieu, and allow for the proponent to have the option of payment at Plan Registration or at the stage of Building Permit issuance.***

OTHER ITEMS OF RECCOMENDATION:

Clarification of "all" lands:

In addition, ***BILD requires clarification on the use of the word "all" in point 1.a of the Draft Notice*** (above). The word all needs to be clearly defined in the report to Council, in order to explain what is included as part of the calculation. For example, we are uncertain if buffers, road widening's etc. will be included in the calculation, or if the word all only encompasses land uses that have a 'structure' build on it, or that "all" does in fact mean all lands included in the draft plan of subdivision irrespective of the phases that are being advanced by registration.

CIL Payable on Phased Projects:

Furthermore, ***we request that the proposed policy provide a clear protocol that addresses projects developed in a phased manner and one that gives consideration of park facilities provided within the phased plan or project.***

Transition Guidelines:

BILD and its members are pleased that staff have considered a transition for the new policy. ***Appropriate Transitional timeframes should be discussed in order to ensure a balanced approach is achieved, that addresses both the City's long term CIL collections objective and industry concerns.***

Definition of Institutional Uses:

BILD has noted that the definition of "***Institutional Uses***" found within the Draft Notice Appendix #1 is different than the definition found within Appendix #2 (Current Parkland Dedication By-law). ***We seek clarification as to which definition of Institutional Use will be applied to the new policy.***

Discussion Paper:

Lastly, BILD understands from the disclaimer in Appendix #3: *Greenfields Area Discussion Paper*, that some of the directions identified within the paper are not necessarily reflective of current thinking. BILD supports the assembly of parks and open space for current and future Brampton residents, however the report makes mention of the City to take opportunities to assemble "**supplementary lands.**" BILD would like to remind staff that under Section 42 of the *Planning Act*, land can only be conveyed for the use of a park or other public recreational purposes and other land uses, such as those referenced in the discussion paper (woodlands, a public cemetery and a public golf course) will **not** be considered.

BILD believes the City of Brampton's ***Parkland Dedication By-law*** requires a more thorough examination. It is important that Council and the development industry understand how this policy will be impacting the future development of the City. We trust that you will take these comments into consideration and we look forward to working with you on this and other mutually significant matters of concern.

On behalf of the BILD Peel Chapter members, we greatly appreciate the consultation with our industry on this matter to date. We thank you for the opportunity to submit this letter and we look forward to any additional discussions. If you have any questions or concerns, please do not hesitate to contact the undersigned.

Best regards,



Paula J. Tenuta, MCIP, RPP
Vice President, Policy & Government Relations

Cc: *John Spencer, MCIP, RPP, Manager, Parks and Facility Planning, City of Brampton*
Mo Lewis, Commissioner of Financial and Information Services, City of Brampton
Darren Steedman, BILD Peel Chapter Chair
BILD Peel Chapter Members

Enclosed: City of Brampton's proposed Parkland Dedication Policy - Davies Howe Partners LLP



Ontario
Home Builders'
Association

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April 18, 2013

Honourable Glen Murray
Minister of Infrastructure & Transportation
Ferguson Block 3rd Floor
77 Wellesley St W
Toronto, ON M7A1Z8

Honourable Linda Jeffrey
Minister of Municipal Affairs and Housing
777 Bay Street, 17th Floor
Toronto, ON M5G 2E5

Re: Town of Richmond Hill cash-in-lieu of parkland dedication

Ministers Murray and Jeffrey,

Immediate action is required by the Provincial Government to support the *Growth Plan* and address the inequities of the existing legislation related to the maximum parkland cash-in-lieu formula for infill and intensification. OHBA has held a consistent position since 2005, prior to the implementation of the *Growth Plan*, that the current *Planning Act* provisions and system for parkland dedication is dysfunctional and requires leadership for reform from the Provincial Government. While the province has acknowledged and recognized that some municipal cash-in-lieu of parkland dedication policies are acting as a hindrance to intensification, the response from the Provincial Government to date has been that municipalities have the tools to implement responsible alternative cash-in-lieu of parkland formulas below the maximum chargeable under the Act.

Based on the provincial legislative maximum cash-in-lieu of parkland formula (*Planning Act*), the Town of Richmond Hill has proposed a parkland cash-in-lieu fee of approximately \$30,000 dollars per unit (currently \$10,000 per unit). This is outrageous and is, in fact, higher than the local development charge. Provincial efforts to simply encourage responsible municipal approaches to intensification and cash-in-lieu of parkland policies have failed and it is now time for the Provincial Government to take immediate action.

OHBA has consistently documented examples to both ministries that the cash-in-lieu of parkland fees, often charged at the maximum allowable amount under the *Planning Act* significantly adds to the cost of medium-and-high density projects without the money collected from the fee drastically improving or adding park facilities within the area of the new community. The increased cost to development is passed onto new home buyers which decrease the affordability of housing within urban growth centres and intensification corridors. This is not an example of smart city building and efficient land-use planning. The proposed \$30,000 per unit fee proposed by the Town of Richmond Hill requires immediate provincial leadership and amendments to provincial policy.

The Ministry of Municipal Affairs and Housing has been actively promoting their *Building Blocks for Sustainable Planning* package, however, despite this provincial encouragement few municipalities have created local parkland by-laws to support intensification. With a potentially \$30,000 cash-in-lieu of parkland fee proposed in the Town of Richmond Hill, we are beyond a time for *encouragement* and the time for concrete *action* is now.

OHBA requests that the province:

- *Immediately* amend the *Planning Act* to reduce the outdated maximum allowable cash-in-lieu of parkland fee formula;
- Send senior Ministry staff to attend and depute in opposition to the proposed fee in defense of the *Growth Plan*, and *Provincial Policy Statement* at the Town of Richmond Hill Council Meeting on April 22nd. Deputing members must register by April 22nd at 12:00pm directly to Karyn Hurley, Council/Committee Clerk at T:905-771-5453 or via email: karyn.hurley@richmondhill.ca;
- In the event that the proposed fee is passed by council and that the industry or any of our members appeals to the OP remain outstanding, OHBA would expect that the Provincial Government would be a party to the hearing in defense of the *Growth Plan*.

Despite our best efforts to advocate and inform the province of our long-term concerns that the application of the maximum chargeable amount of cash-in-lieu of parkland fees is a direct public policy contravention of the goals and objectives of transit-oriented development and increased levels of intensification, the Metrolinx *Mobility Hubs*, the *Growth Plan* for the Greater Golden Horseshoe and the *Provincial Policy Statement*; our association and industry members have heard a consistent message from the province that municipalities are mature levels of government with the tools to implement alternative rates. The Richmond Hill proposal for a \$30,000 per unit cash-in-lieu of parkland fee is the absolute final signal that the system is broken and that decisive provincial action is necessary. It is imperative that the Provincial Government in consideration of extensive planned infrastructure (including a subway extension to Richmond Hill) ensure that public policy is supportive of affordable, transit oriented development. OHBA expects the province to take action and demonstrate leadership to support intensification and provincial policy by amending the parkland cash-in-lieu formula.

Sincerely,



Joe Vaccaro
Chief Operating Officer
Ontario Home Builders' Association

- c. Mayor David Barrow, Town of Richmond Hill
- c. Deputy Minister of Municipal Affairs and Housing, William Forward
- c. Deputy Minister of Infrastructure, Drew Fagan
- c. Assistant Deputy Minister, Ontario Growth Secretariat, Victor Severino
- c. Director, Municipal Affairs and Housing, Audrey Bennett
- c. President and CEO, Building Industry and Land Development Association, Bryan Tuckey



BUILDING A GREATER GTA
Building Industry and Land
Development Association

November 2, 2012

Ms. Barbara Cribbett
Commissioner of Finance & City Treasurer
2141 Major Mackenzie Drive
Vaughan, Ontario
L6A 1T1

Dear Ms. Cribbett,

Re: City of Vaughan – Review of Development Charges, Mixed-Use Rate

As you know the Building Industry and Land Development Association (BILD) is heavily entrenched in the City of Vaughan's review of its Development Charges by-law by creating a working group and retaining a consulting team to assist us with our review of the background information and forthcoming by-law.

We appreciate the difficulty that surrounds the imposition of proposed new taxes and levies to account for increased costs the city must endure to prepare for not only the impending and proposed future development, which will be absorbed, for the most part, by resident taxpayers and businesses, but also to sustain the economic and social viability of the existing resident and business base. In advance of the release of the draft by-law, we wish to highlight a very significant matter for your immediate consideration.

Given the advent of the shift in provincial, regional and municipal policies and development goals over recent years which aim to promote intensification, smart growth and mixed use development near or in centres and corridors, our members design for this shift in development projects to adapt to such development goals. Accordingly, our industry is assisting in the achievement of these new development goals and are proud to implement such developments.

Acknowledging that the intent of this review is to bring the by-law into conformity with the Provincial Growth Plan and the City's Official Plan, BILD believes that special consideration should be paid to mixed-use development projects that are in keeping with the above noted objectives of this review. BILD has also received the attached letter from one of our members which highlights this matter in greater detail (please refer to the attached letter).

Given the new development goals that aim to promote the development of mixed use communities, it would be a disincentive for developments that integrate retail/office in their components – which are aimed at increasing the possibility that people, live, work, shop and play in their own community and which will reduce transit/commuting/traffic/road infrastructure costs – to not be given some consideration or financial incentive to develop such a product.

In turn, we strongly believe that the City of Vaughan should support these projects by adopting a reduced rate of development charges for mixed-use developments. This has been done in other jurisdictions. For example the City of Markham has acknowledged the contribution that mixed-use developments make and have adopted a separate DC for mixed use developments.

20 Upjohn Rd, Suite 100
North York, ON M3B 2V9

Tel: 416.391.3445
Fax: 416.391.2118

www.gthba.ca

Recognizing the strong partnership between BILD and the City of Vaughan we would appreciate your consideration for a reduced mixed-use rate and we would be happy to speak to you in greater detail on this matter. If you have any questions or concerns please feel free to contact the undersigned.

Sincerely,



Danielle Chin, MCIP, RPP
Municipal Government Advisor, Government Relations

CC: *Michael Pozzebon, York Chapter Chair*
Paula Tenuta, Vice President, Government Relations, BILD
BILD York Chapter Members

the hanlan water project

news September 2013

After careful planning and design, construction of the main part of the Hanlan Water Project will start this fall and continue into late 2016.

In this newsletter you will find details about where and when the work will take place, how we're managing traffic and where you can go for up-to-date information throughout the project.



Join us

At our next Public Information Centre

Tuesday, September 24, 2013

5:30 – 8:30 p.m.

Tomken Twin Arenas Upstairs Auditorium
4495 Tomken Rd (north of Eastgate Parkway)

Come and meet the project team and talk to us about the largest water infrastructure project we've done so far.



What we've done

North Section

A section of the Mississauga City Centre (MCC) subtransmission watermain has been installed at the intersection of Cawthra Road and Burnhamthorpe Road East in conjunction with the City of Mississauga road improvements.

Local distribution watermains in the Tomken area have been replaced.



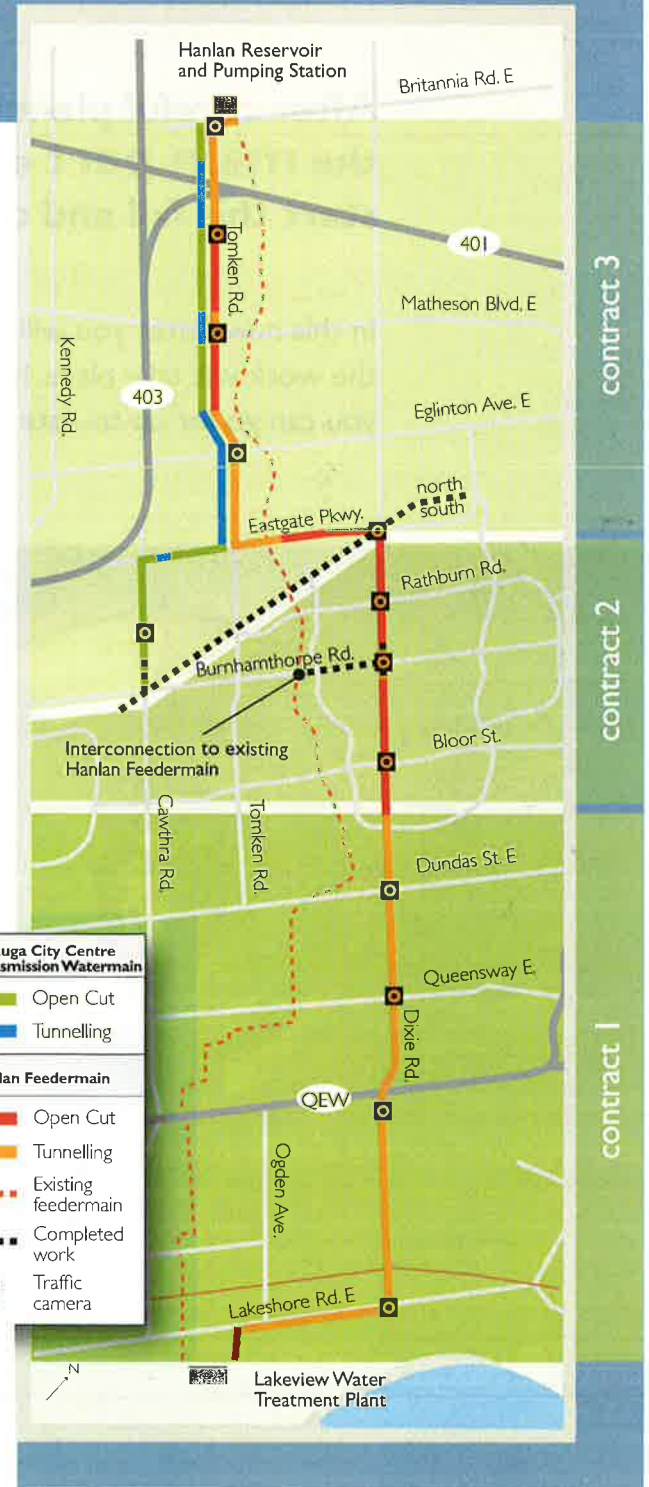
Rick Wells, Project Manager, North Distribution; Councillor Bonnie Crombie; Matt Bennett, Project Manager, North Section and Dave Abreu, Project Ambassador at the Kamato Road construction site.

South Section

We have installed a section of the 2400-mm Hanlan Feedermain along Lakefront Promenade from the Lakeview Water Treatment Plant to Lakeshore Road East.



Jerry Kulyk, Project Ambassador; Councillor Jim Tovey; Bill Turner, Project Manager, South Section and Troy Leyburne, Project Manager, Local Distribution at the restored Lakefront Promenade.





The project includes installing the 2400-mm (2.4 metres or 8 feet diameter) Hanlan Feedermain and the 1500-mm (1.5 metres or 5 feet) diameter Mississauga City Centre Subtransmission Watermain. To minimize future disruptions to you, some smaller diameter watermains (from 150 mm or 6 inches to 600 mm or 24 inches) are being replaced during the project.

What's coming up

Please note that all dates listed below are tentative and subject to change based on contractor scheduling. For up-to-date information throughout the project, please visit our website at hanlanwaterproject.ca

North Section

Hanlan Feedermain and MCC Subtransmission Main

Contract 3 - Tunnelled and Open Cut
Early 2014 to Late 2016

- Eastgate Parkway from Dixie Road to Cawthra Road
- Tomken Road from Eastgate Parkway to Britannia Road East
- Cawthra Road from Eastgate Parkway to Burnhamthorpe Road East

South Section Hanlan Feedermain

Contract 2 - Open Cut
Late 2013 to Late 2015

- Dixie Road from Golden Orchard Drive to Eastgate Parkway
- Includes local distribution work on
 - Dixie Road from Golden Orchard Drive to Bloor Street
 - Bloor Street from Golden Orchard Drive to Havenwood Drive
 - Golden Orchard Drive from Dixie Road to Grassfire Crescent

Contract 1 - Tunnelled
Late 2013 to Mid 2016

- Lakeshore Road East from Lakefront Promenade to Dixie Road
- Dixie Road from Lakeshore Road East to Golden Orchard Drive



South Section

Local Distribution Work

Contract Z1 - Open Cut
Mid 2013 to Mid 2014

- Lakeshore Road from the Etobicoke Creek to Westmount Avenue

Work has begun on replacing the watermain along Lakeshore Road East between Westmount Avenue and the Etobicoke Creek, starting at the Etobicoke Creek (Toronto border). Traffic cameras and variable message signs will help you plan your route along Lakeshore.

Contract Z3 - Open Cut
Late 2013 to Late 2014

- Dixie Road from Sherway Drive to Blundell Road
- Tonolli Road

This fall, work will begin on Dixie Road between Sherway Drive and Blundell Road. As well as replacing the watermain, we'll be widening Dixie Road between Kendall Road and Blundell Road to improve traffic at the CPR railway bridge (Dixie GO Station).

Contract Z2 - Open Cut
Early 2014 to Mid 2015

- Dixie Road from Lakeshore Road East to Cormack Crescent
- Larchview Trail (includes sanitary sewer replacement)

Keeping you moving

Every hour, thousands of people travel the streets along the Hanlan route. Check our website, Twitter (@hanlanwp), and the Drivers' Hotline to help plan your way during construction.

Traffic Cameras

The map on Page 2 shows where we're installing traffic cameras. Cameras are already installed at the intersection of Dixie and Lakeshore roads. The rest will be installed this fall.

See if intersections are delayed or easy to get through at hanlanwaterproject.ca/construction. Pictures will be refreshed every five minutes.

Region of Peel and City of Mississauga traffic staff will use feeds from the cameras to monitor "close to real-time" traffic conditions. They can confirm any incidents in the area and act to ease the problem by changing the signal timings, sending a maintenance contractor, or calling emergency services, if required.

Travel Times

How long will it take you to travel through the construction zone? We've installed Portable Variable Message Signs (PVMS) at various locations to tell you. The information from these signs is at hanlanwaterproject.ca/construction, so you can be prepared for any delays before you leave home. Once you're on the road, they'll help you decide if you'd like to use an alternate route.

How the signs work

- Bluetooth readers are placed at the entrance and exit points of the construction zone. As a vehicle equipped with a Bluetooth device (phone, headset, laptop, GPS) passes through the zone, the reader picks up the signal.
- The Bluetooth's unique address and the timestamp are recorded as it passes through the first reader, and again as it passes through the exit reader.
- The data is transmitted to the central server. The travel time is calculated, transmitted back to the field device and displayed on the PVMS.

Twitter: @hanlanwp gives you regular traffic updates.

Drivers' Hotline: 1-855-hanlan1 (1-855-426-5261) tells you where and when construction is happening.



Transit

We're working closely with MiWay to make sure your bus ride along the route runs smoothly and on time. We may have to move bus stops while construction is in the area. Check MiWay's alerts page miway.ca/alerts for transit service impacts. We'll also have display cards inside buses with information about which bus routes will be impacted.



Out in the community

The project team works hard to get out the word about construction.



We've met with school councils, resident associations and local businesses, as well as staff from recreational facilities, arenas and libraries. At Councillor-hosted open houses and our Public Information Centres, we've chatted about the project with hundreds of you and your neighbours.

Newsletters like this one are sent to almost 90,000 addresses in south-central Mississauga where the project is taking place. Resident notices about local construction are targeted to addresses in that immediate area. All our newsletters and notices are posted on our website at hanlanwaterproject.ca.

We will continue our community outreach throughout the project.

If your group or organization would like more information or a personal visit from our staff, please call us at 905-791-7800 ext 5078, or email hanlanwp@peelregion.ca

Business and Institutional Care Program (BICP)

We know that local businesses and institutions add value to our economy and provide benefits to those who use their products and services. That's why we have launched BICP to address the specific needs of businesses and institutions along the construction route.

As part of this program, Project Ambassadors Jerry and Dave visited local businesses to discuss how we can minimize the effects of construction on their operations. If you have a business and haven't yet answered our questionnaire, please give us a call at 905-791-7800, ext. 5078 or email us at hanlanwp@peelregion.ca





Jerry and Dave

Project Ambassadors

Our Project Ambassadors Jerry Kulyk (South Section) and Dave Abreu (North Section) have been out in the community getting to know businesses, residents and organizations along the construction route. They are your point of contact for questions or concerns you may have about the project. You'll be able to recognize them by the ambassador logo on their yellow hard hats and safety vests.

Jerry Kulyk
Cell: 416-274-3013
jerry.kulyk@peelregion.ca

Dave Abreu
Cell: 416-274-9164
david.abreu@peelregion.ca

Project Managers

Our Project Managers are committed to completing a well-designed and constructed water project with minimal disruptions to the community. We encourage you to contact the Project Manager for your section with any specific construction questions.

- Matt Bennett (North Section)
- Rick Wells (North Section Local Distribution)
- Bill Turner (South Section)
- Troy Leyburne (South Section Local Distribution)



Dave, Matt and Rick



Jerry, Bill and Troy

Matt Bennett
905-791-7800, ext. 7913
Cell: 647-248-0956

Rick Wells
905-791-7800, ext. 7839
Cell: 647-248-5260
northhanlanwp@peelregion.ca

Bill Turner
905-791-7800, ext. 7837
Cell: 416-435-3999

Troy Leyburne
905-791-7800, ext. 7919
Cell: 416-427-1800
southhanlanwp@peelregion.ca



Memorandum

To/Attention Paula Tenuta
From Audrey Jacob
cc Danielle Chin
Subject Development Charge Metrics

Date January 8, 2014
Project No 35585
Steno sj

Industrial Development Charges (DCs)

Amount of the Charge

- Development charges have had a significant impact on industrial development costs in all three case studies assessed; Brampton, Vaughan and Whitby. All DCs quoted reflect both lower and upper tier charges.
 - **Whitby's industrial DC increased more than 3000% from \$0.25/psf in 1999 to \$7.90/psf in 2013. This was the highest component cost increase for Whitby industrial development. For a 50,000 sf building the DC increased from \$12,500 in 1999 to \$394,000 in 2013.**
 - **Vaughan's industrial DC increased by 995%, increasing from \$2.44/psf to \$26.71/psf. For a 50,000 sf building the DC increased from just under \$122,000 to \$1.34 million.**
 - **Brampton has also seen significant increases, with development charges tripling in value from \$4.83/psf to \$17.6/psf, over the period.**

Development Charges as a Proportion of Building Costs

- Development charges have also increased substantially as a proportion of total building costs in all three of the case studies assessed.
 - **In Whitby, DCs comprised 0.3% of total costs-to-build in 1999 and increased to 6% by 2013. In Vaughan, DCs comprised 3% of total cost-to-build and increased to 13% in 2013. In Brampton, DCs grew from 6% of total building costs in 1999 to 9% of total building costs in 2013.**

Development Charges Relative to Other Building Costs

- **Six cost factors were identified: land, servicing, building (hard and soft costs), parking, HST and development charges. In 1999, DCs ranked as either the 5th or 6th cost in descending order. By 2013, DC's increased substantially and ranked 3rd in all cases. In 2013 DCs ranked behind Building, Servicing or Land Costs.**

| | Whitby - Industrial | 1999 | 2013 | % Increase 2013 | 1999 | Source |
|-------------------------|---|-------------|--------------------|----------------------------|--------------------|--|
| Assumptions | Industrial building (sf) | 50,000 | 50,000 | | | Assumed |
| | Coverage (%) | 38% | 38% | | | Assumed |
| | Land Area (Acres) | 3.00 | 3.00 | | | Assumed |
| Cost Assumptions | Raw Land cost (\$ / acre) | \$171,495 | \$93,351 | -46% | | Real Net |
| | Servicing cost (\$ / acre) | \$85,000 | \$160,500 | 89% | | Altus |
| | Building cost (\$ / sf) (Includes hard and soft costs) | \$60 | \$99 | 65% | | 1999 values assumed; Hard costs from Altus; 20% addition for Soft costs |
| | Parking Costs (Surface - per unit) | \$1,975 | \$4,000 | 103% | | 1999 surface parking costs assumed |
| | DC's (\$ / sf) | \$0.25 | \$7.9 | 3052% | | DC Bylaws / Brochures |
| | Other one time government charges and fees (\$) | n/a | n/a | | | |
| Analysis | | | | | | |
| | | | % of total | | % of total | |
| | Total Cost to build (\$) | A | \$3,934,068 | | \$6,413,553 | 63% |
| | Raw Land cost (\$) | \$514,484 | 13% | \$280,053 | 4% | |
| | Servicing cost (\$) | \$255,000 | 6% | \$481,500 | 8% | |
| | Building cost (\$) | \$3,000,000 | 76% | \$4,950,000 | 77% | |
| | Parking Costs (\$) | \$152,084 | 4% | \$308,000 | 5% | |
| | DC's (\$) | \$12,500 | 0.32% | \$394,000 | 6% | |
| | HST on servicing and building materials (\$) | \$242,755 | 6% | \$354,414 | 6% | |
| | Government Charges & Fees (\$) | n/a | | n/a | | |
| | Net Lease rates (\$ / sf) | \$4.42 | | \$4.76 | 8% | CBRE |
| | Total 30 year Lease Revenue (Net) (\$) | B | \$6,354,000 | | \$6,426,000 | 1% |
| | <i>(No inflation assumed to escalate Lease revenue)</i> | | | | | |
| | Differential¹ | B-A | \$2,419,932 | | \$12,447 | -99% |
| | Notes: | | | | | |
| | ¹ Cash flow before interest on debt, taxes, depreciation, amortization. 90% occupancy assumed. | | | | | |

| | Brampton - Industrial | 1999 | 2013 | % Increase 1999 - 2013 | Source | | |
|---------------------------------|---|--------------------|--------------------|-----------------------------------|--|---------------|------|
| Development Assumptions | Industrial building (sf) | 50,000 | 50,000 | | Assumed | | |
| | Coverage (%) | 38% | 38% | | Assumed | | |
| | Land Area (Acres) | 3.00 | 3.00 | | Assumed | | |
| Cost Assumptions | Land cost (\$ / acre) | \$150,000 | \$808,591 | 439% | RealNet | | |
| | Servicing cost (\$ / acre) | \$85,000 | \$160,500 | 89% | Altus | | |
| | Building cost (\$ / sf) (Includes hard and soft costs) | \$60 | \$99 | 65% | 1999 values assumed; Hard costs from Altus; 20% addition for Soft costs | | |
| | Parking Costs (Surface - per unit) | \$1,975 | \$4,000 | 103% | 1999 surface parking costs assumed | | |
| | DC's (\$ / sf) | \$4.83 | \$17.6 | 264% | DC Bylaws / Brochures | | |
| | Other one time government charges and fees (\$ /sf) | n/a | n/a | | | | |
| | | | % of total | % of total | | | |
| Analysis | Total Cost to build (\$) | A | \$4,341,293 | \$9,399,688 | 216.5% | | |
| | Land cost (\$) | | \$450,000 | 10% | \$2,425,774 | 26% | |
| | Servicing cost (\$) | | \$255,000 | 6% | \$481,500 | 5% | |
| | Building cost (\$) | | \$3,000,000 | 69% | \$4,950,000 | 53% | |
| | Parking costs (\$) | | \$152,084 | 4% | \$308,000 | 3% | |
| | DC's (\$) | | \$241,455 | 6% | \$880,000 | 9% | |
| | HST on servicing and building materials (\$) | | \$242,755 | 6% | \$354,414 | 4% | |
| | Government Charges & Fees (\$) | | n/a | | n/a | | |
| | Net Lease rates (\$ / sf) | | \$5.02 | | \$5.50 | 10% | CBRE |
| | Total 30 year Lease Revenue (Net) (\$) | B | \$7,153,650 | | \$7,425,000 | 103.8% | |
| | <i>(No inflation assumed to escalate Lease revenue)</i> | | | | | | |
| Differential¹ | B-A | \$2,812,357 | | (\$1,974,688) | -70.2% | | |

Notes:

¹ Cash flow before interest on debt, taxes, depreciation, amortization. 90% occupancy assumed.

| | Vaughan - Industrial | 1999 | 2013 | % Increase 1999 - 2013 | Source | | |
|---------------------------------|--|--------------------|--------------------|---------------------------|---|------------|------|
| Assumptions | Industrial building (sf) | 50,000 | 50,000 | | Assumed | | |
| | Coverage (%) | 38% | 38% | | Assumed | | |
| | Land Area (Acres) | 3.00 | 3.00 | | Assumed | | |
| Cost Assumptions | Land cost (\$ / acre) | \$278,863 | \$842,902 | 202% | Real Net | | |
| | Servicing cost (\$ / acre) | \$85,000 | \$160,500 | 89% | Altus | | |
| | Building cost (\$ / sf) (Includes hard and soft costs) | \$60 | \$99 | 65% | 1999 values assumed; Hard costs from Altus; 20% addition for Soft costs | | |
| | Parking Costs (Surface - per unit) | \$1,975 | \$4,000 | 103% | 1999 surface parking costs assumed | | |
| | DC's (\$ / sf) | \$2.44 | \$26.71 | 995% | DC Bylaws / Brochures | | |
| | Other one time government charges and fees (\$ /sf | n/a | n/a | | | | |
| Analysis | Total Cost to build (\$) | A | \$4,608,342 | \$9,958,056 | 116% | | |
| | Land cost (\$) | | \$836,589 | 18% | \$2,528,707 | 25% | |
| | Servicing cost (\$) | | \$255,000 | 6% | \$481,500 | 5% | |
| | Building cost (\$) | | \$3,000,000 | 65% | \$4,950,000 | 50% | |
| | Parking Costs (\$) | | \$152,084 | 3% | \$308,000 | 3% | |
| | DC's (\$) | | \$121,914 | 3% | \$1,335,435 | 13% | |
| | HST on servicing and building materials (\$) | | \$242,755 | 5% | \$354,414 | 4% | |
| | Government Charges & Fees (\$) | | n/a | | n/a | | |
| | Net Lease rates (\$ / sf) | | \$6.14 | | \$5.50 | -10% | CBRE |
| | Total 30 year Lease Revenue (Net) (\$) <i>(No inflation assumed to escalate Lease revenue)</i> | B | \$7,534,350 | | \$7,425,000 | -1% | |
| Differential¹ | B-A | \$2,926,008 | | (\$2,533,056) | -187% | | |

Notes:

¹ Cash flow before interest on debt, taxes, depreciation, amortization. 90% occupancy assumed.



Ontario
Home Builders'
Association



BUILDING A GREATER GTA
Building Industry and Land
Development Association

Metrolinx Investment Strategy

Making Transit-Oriented Communities Less Affordable

New home buyers and new businesses will take on costs that are disproportionate to existing residents and businesses across the Province.

Toronto, May 27 2013 – The Ontario Home Builders’ Association (OHBA) and the Building Industry and Land Development Association (BILD) are disappointed that the Metrolinx ‘Big Move’ Investment Strategy announced today will burden new home buyers and new employers with additional charges.

The proposed revenue tools, which include an increase to Development Charges and an additional new one per cent HST, will erode affordability of new homes and new employment centres across the GTHA.

“This Investment Strategy adds a host of new fees and charges that will end up making transit-oriented communities less affordable,” says Joe Vaccaro, COO of OHBA. “For example, for a new condo buyer in Markham, the Metrolinx Investment Strategy could add up to \$8,000 in charges – a cost that is disproportionate to the \$477 being projected by Metrolinx.”

“New home buyers and new businesses are already doing their fair share,” says Bryan Tuckey, President and CEO of BILD. “We estimate new home buyers and new businesses paid more than \$1 billion in Development Charges to municipalities in 2012 alone for the construction of growth-related infrastructure in the GTA.”

Advocating on behalf of new home buyers and business, the Associations want the public to know that the report doesn’t recognize the impact of the proposed tools (i.e. Development Charges, new HST, Parking levies, land value capture etc.) on new home purchasers and new business owners.

The Province has created a growth plan, Places to Grow and a regional transportation plan, ‘The Big Move’ to promote transit-oriented communities, fight sprawl and congestion. BILD and OHBA believe the proposed new revenue tools presented today are counter-intuitive to the goals of both plans.

For more information or to arrange an interview with Joe Vaccaro or Bryan Tuckey, please contact Amy Lazar at 416-391-3452/416-543-3903 or alazar@bildgta.ca or Kathryn Segal at 416-443-1545 ext. 223 or ksegal@ohba.ca

About BILD

With more than 1,400 members, BILD, formed through the merger of the Greater Toronto Home Builders' Association and Urban Development Institute/Ontario, is the voice of the land development, home building and professional renovation industry in the Greater Toronto Area. BILD is proudly affiliated with the Ontario and Canadian Home Builders' Associations.

About OHBA

The Ontario Home Builders' Association is the voice of the residential construction industry in Ontario representing 4,000 member companies organized into 30 local associations across the province. The industry contributes over \$42 billion dollars to Ontario's economy, employing more than 325,000 people across the province.



Ontario
Home Builders'
Association



BUILDING A GREATER GTA
Building Industry and Land
Development Association



Hamilton-Halton
Home Builders'
Association

July 8, 2013

Bruce McCuaig
President & CEO, Metrolinx
20 Bay Street, Suite 901
Toronto, Ontario M5J 2N8

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.

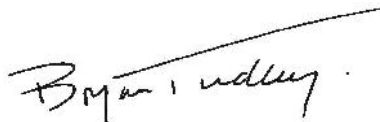
Conclusion

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
C.O.O.
OHBA



Bryan Tuckey
President & C.E.O.
BILD



Mathieu Langelier
Executive Officer
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



Section 37 Community Benefits Secured

| Ward | Council/OMB Approval Date | By-law No. | Cash Contribution | Address | Description of Benefits | Comments |
|------|---------------------------|--------------------|-------------------|---------------------------|---|--|
| 2 | 10/01/2009 | 995-2009 | \$165,000.00 | 60,70 Esther Lorrie Drive | Install 2 public transit shelters at TTC stops in the area; \$15,000 for a new fire alarm system at the Rexdale Library; \$150,000 for improvements to Sunnydale Acres park; 180 m2 of Indoor Amenity Space max. cost \$484,250 for exclusive use of existing tenants; protection of the rental status of the existing two buildings on site for 20 years; Improvements to existing buildings and grounds as follows: outdoor children's playground for \$35,000; garden plots with benches and landscaped walways for \$89,491; repainting of the foyer and common area for \$30,000 for the two-existing apartment buildings; upgrade of the security system for \$25,000 in the 2 existing rental buildings; refurbishment of the parkade structure for \$185,000 and decking adjacent to the two buildings. | |
| 2 | 05/12/2010 | 477-2010 | \$53,250.00 | 720 Humberwood Boulevard | Cash contribution of \$750 per unit (\$53,250) for the purpose of constructing a surface parking lot for Indian Line Park | |
| 2 | 07/08/2010 | 844-2010 | \$75,000.00 | 50 Resources Road | \$75 K for construction of a community change room facility at the sports playing field at Don Bosco Secondary School or if not possible, for local park improvements | |
| 3 | 04/29/2008 | 392-2008, 641-2008 | \$1,175,000.00 | 2 Holiday Drive | \$700K to construct/renovate daycare facilities in Broadacres Public School and/or Etobicoke Civic Centre and/or other local buildings; \$475K for playground and waterplay facility in Broadacres Park. Secured as legal convenience: construct and/or fund various road & traffic signal improvements; signage and warning clauses as per School Boards' requirements; building modifications and notices re noise levels and mitigation measures. | Amending By-law 641-2008 changed some matters secured as legal convenience, with no substantive changes to benefits. |



2011 HAMILTON DC BY-LAW APPEAL

Introduction

On July 6, 2011, the City of Hamilton passed Development Charges By-Law 11-175 to replace the existing By-Law, which was passed in 2009. In August 2011, the Hamilton-Halton Home Builders' Association (HHHBA) appealed By-Law 11-175 on the basis of the methodology used in establishing the new development charges. The primary issue related to the split of costs for water and wastewater projects applied between the residential and non-residential charges.

2011 Development Charge Increases

Based on the methodology applied in the Background Study prepared for the City of Hamilton, the 2011 Development Charges By-Law resulted in increases ranging from \$361 to \$751 per unit, depending on the unit type, relative to the 2009 By-Law. These increases are summarized in **Table 1**.

The residential development charge increases were partly due to an adjustment in the residential share of water and wastewater project costs from 63% in the 2009 By-Law to 69% in the 2011 By-Law. Given its concerns with the methodology used in determining the split of these costs between residential and non-residential uses, HHHBA retained Altus Group to review the Background Study for the 2011 By-Law and report on its findings.

Table 1

Comparison of Water and Wastewater Component of Development Charges (2009 to 2011)

| | Single and Semi-Detached Dwellings | Apartments with 2 or more Bedrooms | Apartments with 1 Bedroom or Less | Multiple Unit Dwellings |
|-----------------|------------------------------------|------------------------------------|-----------------------------------|-------------------------|
| 2009 By-Law | \$16,359 | \$10,034 | \$6,705 | \$11,726 |
| 2011 By-Law | \$17,110 | \$10,599 | \$7,066 | \$12,264 |
| Increase | \$751 | \$565 | \$361 | \$538 |

Altus Group Findings

Upon review of the Background Study for the 2011 Development Charges By-Law, Altus Group found inconsistencies in the assumptions applied for employment forecasts in the City of Hamilton. These inconsistencies resulted in a disproportionate share of the total costs for water and wastewater projects being applied to residential uses. The analysis completed by Altus Group indicated that the appropriate share of these costs to be borne by the residential uses was in the order of 65%.

Discussion and Settlement

As part of discussions to address our appeal issues, HHHBA presented the Altus Group findings to the City of Hamilton. The City acknowledged the inconsistencies identified by Altus Group and worked with HHHBA to come to a mutually acceptable settlement.

The City and HHHBA agreed to a residential split of 66% of the total water and wastewater project costs. **Table 2** illustrates the resulting reduction in the water and wastewater component of the development charges relative to the original 2011 By-Law.

Table 2

**Comparison of Water and Wastewater Component of Development Charges
2011 By-Law to 2013 Settlement Between City of Hamilton and HHHBA**

| | Single and Semi-Detached Dwellings | Apartments with 2 or more Bedrooms | Apartments with 1 Bedroom or Less | Multiple Unit Dwellings |
|-----------------|------------------------------------|------------------------------------|-----------------------------------|-------------------------|
| 2011 By-Law | \$17,110 | \$10,599 | \$7,066 | \$12,264 |
| 2013 Settlement | \$16,590 | \$10,279 | \$6,852 | \$11,892 |
| Decrease | \$520 | \$320 | \$214 | \$372 |

Our detailed analysis work and correction proposal allowed the appropriate methodology to be applied in calculating fair and reasonable development charges. HHHBA 's commitment to defending affordability and choice to all current and future homebuyers in the Hamilton-Halton area made this outcome possible.

MEDIA RELEASE

July 8, 2013
For immediate release

Settlement Saves Taxpayers Money

The Hamilton-Halton Home Builders' Association (HHHBA) would like to announce that a settlement agreement has been reached with the City of Hamilton regarding inaccurately collected Development Charges (DC). The settlement resulted in the saving of vital city staff time and valuable taxpayer money.

Please let us take this opportunity to provide the facts about the settlement:

The HHHBA appealed the last DC by-law due to errors found in the methodology of the DC background study, which resulted in overcharges to residential builders over a specific time period. Building permits for new construction issued between July 8, 2011 and May 24, 2013, are therefore eligible for reimbursement of these inaccurately collected funds. The amount overpaid varies depending on unit type, but initially represents \$520 per single detached equivalent. Upon recognition of these miscalculations, the City has agreed to review its methodology to ensure that proper steps are followed going forward.

From our investigations, we understand that the vast majority of homebuilders did not pass this surcharge onto their customers as the inaccuracy was evident. However, new homeowners can verify if the charge was passed on to them by reviewing their *Statement of Adjustments*, provided in their closing documents.

The HHHBA represents the voice of new homebuyers and their right to decent and affordable housing. As such, we will continue to act in the interests of all taxpayers to ensure choice and affordability is granted to each current and future citizen of this great city. For more information, please visit: hhhba.ca



Anthony Chiarella

HHHBA President

-30-

For further information or to arrange interviews in both English and French, please contact Mathieu Langelier, Executive Officer, Hamilton-Halton Home Builders' Association, mathieul@hhhba.ca, 905-575-3344.

July 15, 2013

Development charges settlement triggers refunds

By Matthew Van Dongen

The city is doling out \$1.5 million in refunds to residents and home builders after settling a dispute over development charges with the residential construction industry.

Anyone who filed a residential building permit between July 8, 2011 and this June will get a cheque in the mail — about \$541 for a single-family detached home — as a result of an Ontario Municipal Board settlement finalized last month.

About 3,000 residential units are built each year in Hamilton.

The settlement retroactively cuts the amount of development fees collected from residential builders for future water and sewer expansion from 69 to 66 per cent. That shift means the industrial and commercial sector will now be on the hook for 34 rather than 31 per cent of the underground costs.

Residential taxpayers won't be asked to make up the \$1.5-million shortfall, said acting city finance head Mike Zegarac — but some sewer expansion projects could be delayed.

"The idea is always that growth pays for growth," he said. "If we don't collect the money, the project does not go forward (immediately)."

Commercial and industrial builders won't be retroactively billed extra as a result of the changing ratio for development fee payment.

But Zegarac said the changes will be reflected in an upcoming development charges study and subsequent bylaw update in 2014.

Councillor Brenda Johnson, who is on the development charges subcommittee, said city staff have been told not to make up the shortfall on the backs of taxpayers.

Johnson added she's more concerned about refunded money ending up in the right pockets.

"In most cases, we're reimbursing the builder. But is the builder passing that refund on to the homeowner?" she said. "I hope so."

Residents who bought new homes in the past two years can check to see if they're owed money by looking at the statement of adjustments in their closing documents, said Mathieu Langelier, executive officer of the Hamilton-Halton Home Builders' Association, which appealed the development charges bylaw in 2009 and again in 2011.

But Langelier added many of its 235 association members didn't pass on the "overcharged amount" to customers because "the inaccuracy of the surcharge was obvious from the get-go."

Zegarac characterized the OMB dispute as a "disagreement over methodology," but Langelier argued the city made "clear errors" that needed to be fixed.

The association executive officer said the settlement saved both his members and the city the cost of a prolonged hearing battle.

"But this was really about fairness to homeowners — why should you pay an extra \$500 for your new home for no reason?" he said. "This is about returning money that should never have been collected in the first place."

mvandongen@thespec.com
905-526-3241 | @Mattatthespec

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The HHHBA represents the voice of new homebuyers and their right to decent and affordable housing. As such, we will continue to act in the interests of all taxpayers to ensure choice and affordability is granted to each current and future citizen of this great city. For more information, please visit: hhhba.ca



Anthony Chiarella
HHHBA President



May 17, 2012

PRIVELEGED AND CONFIDENTIAL

Memorandum to: Lyn Townsend
Townsend & Associates

From: Daryl Keleher, Consultant
Altus Group Economic Consulting

Subject: Hamilton DC
Our File: P-4666

This memo presents the preliminary findings of the City of Hamilton treatment of No Fixed Place of Work employment (NFPOW) as it relates to the calculation of the residential / non-residential splits for wastewater in the City's 2011 DC Background Study. We have reviewed:

- The method used to calculate the splits in the 2011 DC Study;
- The impact of the issue on the DC charges;
- How NFPOW was treated in other City of Hamilton reports and studies, particularly growth management and employment land budget reports; and
- How NFPOW is typically treated in the DC studies of surrounding municipalities.

SUMMARY OF FINDINGS

- In the City's calculation of the 69%/31% split used in their 2011 DC Study, it is unclear exactly how the non-residential growth of 54,875 was calculated. Any combination of deducting NFPOW, work at home and primary employment from the employment growth estimate does not allow one to reach the 54,875 jobs used in the calculation of the W/WW splits.
- A November 2006 Hemson report on Employment Lands used to generate employment forecasts for the City explicitly included "work at home" population in the population-



- related employment, which was used to generate floor space requirements for the City. It also appears to have included NFPOW employment;
- The September 2009 Employment Land Budget report by Hemson included NFPOW employment in the employment forecast, and in the calculation of employment land needs;
 - The City's 2006 Water and Wastewater Master Plan appears to have used an employment forecast that included NFPOW and work at home in determining the City's infrastructure needs;
 - In Halton Region's 2008 DC Study, they included NFPOW when calculating the gross floor area forecast for the Region. A staff report did note that they were going to remove it in their next DC update.
 - However, in the Region's 2012 DC Study, NFPOW is still included in the calculation of gross floor area projections. The forecasts are consistent with the Region's Growth Plan conformity exercise and associated growth forecasts which include NFPOW and work at home. However it is unclear if it was included in the employment forecast figure used to calculate the residential / non-residential splits, as a reduced forecast was used in that calculation versus the total employment forecast..
 - In York Region's 2012 DC Study, they excluded work at home from gross floor area forecast calculations, but included NFPOW (implicitly) in both the calculation of the gross floor area forecast and the calculation of the residential / non-residential splits. The inclusion is consistent with their Growth Plan conformity and land budgeting reports.
 - In terms of impact what the DC rates would be had NFPOW and Work at Home been included in employment forecast used in determining the residential / non-residential splits, the 2011 DC study would have had a 65% / 35% split, which would produce a reduction in the residential DC of \$147 per SDU for the sewer DC.

The City has both established employment land needs and done infrastructure planning using employment forecasts that included NFPOW and work at home employment. Therefore, it could be argued that the City should be consistent in its treatment of NFPOW and work at home employment in determining the allocation of costs between the residential and non-residential sector.



METHOD USED TO CALCULATE SPLITS IN AUGUST 2011 DC STUDY

Figure 1 shows the change to the population and employment forecasts used in calculating the residential / non-residential splits in the 2009 and 2011 City of Hamilton DC studies.

Figure 1

Chronology of Population and Employment Forecasts Used in Calculating the Residential / Non-Residential Splits, City of Hamilton DC Studies

| | May 2009 DC Study | April 2011 Presentation | May 2011 DC Study | August 2011 DC Study |
|-----------------------|-------------------|-------------------------|-------------------|----------------------|
| Period | 2008-2031 | 2011-2031 | 2011-2031 | 2011-2031 |
| Population | 126,676 | 121,514 | 121,514 | 121,514 |
| Employment | <u>75,081</u> | <u>65,292</u> | <u>54,875</u> | <u>54,875</u> |
| Total | 201,757 | 186,806 | 176,389 | 176,389 |
| Residential Share | 63% | 65% | 69% | 69% |
| Non-Residential Share | 37% | 35% | 31% | 31% |
| Total | 100% | 100% | 100% | 100% |
| Included NFPOW? | Yes | Yes | No | No |

Source: Altus Group Economic Consulting

The key change to the splits appears to be the removal of NFPOW and work at home population from the employment forecast used to calculate the splits. So instead of decreasing from 63%/37% as in the 2009 DC Study, to 65%/35% in the 2011 DC Study, had NFPOW and work at home been included still, the splits changed instead to 69%/31%.

Figure 2 summarizes the employment and gross floor area forecast by type in the August 2011 DC Study. The total employment forecast including NFPOW totals to 65,292, which is consistent with the number presented in the April 2011 presentation and June 2011 report to Committee. The calculation of the floor space forecast of 39.6 million ft² is based on employment excluding NFPOW.



Figure 2

City of Hamilton, Employment and Gross Floor Area Forecasts, August 2011 DC Study

| | 2006 Employment | 2011 Employment Estimate | 2031 Employment Forecast | 2011-2031 Growth |
|---------------------------------|--------------------|--------------------------------|--------------------------------|---------------------|
| Industrial | 55,950 | 56,628 | 78,951 | 22,323 |
| Population Related / Commercial | 70,305 | 77,919 | 98,133 | 20,214 |
| Institutional | 55,300 | 57,791 | 70,952 | 13,161 |
| Primary | 2,050 | 2,121 | 2,513 | 392 |
| Work at Home | 13,580 | 14,866 | 18,974 | 4,108 |
| Total Employment (excl. NFPOW) | 197,185 | 209,325 | 269,523 | 60,198 |
| NFPOW | 24,395 | 25,383 | 30,477 | 5,094 |
| Total Employment (incl. NFPOW) | 221,580 | 234,700 | 300,000 | 65,292 |
| | | | Sq. Ft. / Job | Sq. Ft. |
| Industrial | | | 1,000 | 22,323,000 |
| Population Related / Commercial | | | 400 | 8,085,600 |
| Institutional | | | 700 | 9,212,700 |
| Total GFA | | | | 39,621,300 |

Source: Altus Group Economic Consulting based on Watson & Associates, 2011 Development Charge Background Study for Water, Wastewater, Storm Water and GO Transit Services, (August 2, 2011), page A-8

Based on the employment forecast by type provided in the DC Study, it is unclear how the value of 54,875 jobs was reached:

- If we take the 65,292 jobs, deduct 5,094 NFPOW jobs, we get 60,198 jobs.
- If we also deduct work at home employment, we then get 56,090 jobs.
- If we also deduct primary employment we get 55,698 jobs.

While the latter two figures are fairly close to the 54,875 jobs used to calculate the residential and non-residential splits, it is unclear exactly how the figure of 54,875 was reached. No combination of deductions appears to allow us to reach the 54,875 figure. This may be an error or a case of other 'background' calculations used to reach the 54,875 jobs not being shown.



IMPACT ON DC RATES

Figure 3 shows the impact on DC rates by changing the splits from the current 69%/31%, to both the old 63%/37% and the 65%/35% split that would be in place had NFPOW been included in the employment forecasts.

Figure 3

| Sensitivity Analysis of Hamilton Sewer DC Rates, based on Different Res/Non-Res Splits | | | | | | | |
|---|----------------------------|--------------------|---------------------|--------------------|---------------------|--------------------|---------------------|
| | Total Growth-Related Costs | Splits excl NFPOW | | Old Splits | | Splits incl NFPOW | |
| | | 69% Residential | 31% Non-Residential | 63% Residential | 37% Non-Residential | 65% Residential | 35% Non-Residential |
| Linear Sewer Projects | 320,034,452 | 220,823,772 | 68,455,369 | 201,621,705 | 118,412,747 | 208,176,752 | 111,857,700 |
| WWTP | <u>334,700,976</u> | <u>230,943,673</u> | <u>71,592,539</u> | <u>210,861,615</u> | <u>123,839,361</u> | <u>217,717,067</u> | <u>116,983,909</u> |
| Total Sewer | 654,735,428 | 451,767,445 | 140,047,908 | 412,483,320 | 242,252,108 | 425,893,819 | 228,841,609 |
| Growth Forecast | | 176,165 | 39,621,300 | 176,165 | ?? | 176,165 | ?? |
| DC Rates | | 2,564 | 3.53 | 2,341 | ?? | 2,418 | ?? |
| Change in DC Rates vs. DC Study | | | | (223) | ?? | (147) | ?? |

Source: Altus Group Economic Consulting

Reverting to the old splits of 63%/37% would generate a sewer DC that was \$223 per single-detached unit (SDU) lower than the DC as calculated in the DC Study.

If we were to re-calculate the splits based on the forecasts in the 2011 DC Study and included both NFPOW and work at home employment, we would get a split of 65%/35%, and the residential DC would be \$147 per SDU lower than as calculated in the DC Study.

The effects of a change in splits on the non-residential DC of each change are unclear as the non-residential floor space forecast may increase if NFPOW were to be factored into the estimate of floor space generated. If no change in floor space generated came about as a result of including NFPOW employment, the non-residential DC would have increased. However, if they added some floor space to correspond with the inclusion of NFPOW, it is possible that the non-residential rates would not increase.



TREATMENT OF NFPOW IN CITY OF HAMILTON REPORTS

Hemson: Comprehensive Employment Study (2006) and Land Budget Report (2009)

Page 6 of the report details the three types of employment: Major Office Employment, Population-Related Employment and Employment Land Employment. According to the report, population-related employment includes work-at-home employment:

Population-Related Employment is employment that exists in response to a resident population that is primarily not located in employment areas or major office jobs. It includes “work at home” employment.

Given that the Hemson study included work at home employment in population related employment calculations, it may not be appropriate to deduct work at home employment from the City’s DC Study.

The September 2009 Employment Area Land Budget Update report, also prepared by Hemson, provided employment forecasts for the 2006-2031 period. Figure 4 compares the forecasts in both the 2006 and September 2009 Hemson reports.

Figure 4

| City of Hamilton, Employment Forecast by Type, Hemson Comprehensive Employment Study | | | | |
|---|----------------|----------------|----------------|---------------|
| | <u>2001</u> | <u>2006</u> | <u>2031</u> | <u>Growth</u> |
| <u>Hemson Comprehensive Employment Study (Nov 2006)</u> | | | | |
| Major Office | 13,000 | | 24,000 | 11,000 |
| Population Related | 92,000 | | 123,000 | 31,000 |
| Employment Land | <u>100,000</u> | | <u>149,000</u> | <u>49,000</u> |
| Total Employment | 205,000 | | 296,000 | 91,000 |
| <u>Hemson Employment Area Land Budget Update (Sept 2009)</u> | | | | |
| Major Office | | 14,500 | 27,500 | 13,000 |
| Population Related | | 96,500 | 128,300 | 31,800 |
| Employment Land | | <u>108,200</u> | <u>144,200</u> | <u>36,000</u> |
| Total Employment | | 219,200 | 300,000 | 80,800 |

Source: Hemson Consulting, City of Hamilton Comprehensive Employment Study, Meeting Long Range Employment Land Requirements in the City of Hamilton, (November 2006), Employment Area Land Budget Update, (September 2009)



The September 2009 Hemson report takes the employment forecast by type, applies a share of jobs of each type that will locate on employment lands, and then applies a density factor to each employment type to arrive at a land demand that will accommodate the employment growth that will locate on employment lands in the City. Figure 5 summarizes this calculation.

Figure 5

| | 2006 | 2031 | Growth | Employment Growth in Employment Areas | | Density | Land Demand |
|---|---------|---------|--------|--|----------------------|---------|----------------|
| | | | | Share | Employment Growth | | |
| City of Hamilton, Employment Forecast by Type, Hemson Comprehensive Employment Study | | | | | | | |
| Hemson Employment Area Land Budget Update (Sept 2009) | | | | | | | |
| Major Office | 14,500 | 27,500 | 13,000 | 35% | 4,550 | 250 | 20 |
| Population Related | 96,500 | 128,300 | 31,800 | 5% | 1,590 | 85 | 20 |
| Employment Land | 108,200 | 144,200 | 36,000 | 95% | 34,200 | 37 | 920 |
| Total Employment | 219,200 | 300,000 | 80,800 | | 40,340 | | 960 |

Source: Hemson Consulting, Employment Area Land Budget Update, (September 2009)

According to page 12 of the September 2009 report, the 2006 employment estimate included no fixed place of work employment in the 219,200 jobs:

2006 Census employment is a Hemson Consulting Ltd. estimate and incorporates a GTA-wide redistribution of the “no fixed place of work” component of employment in accordance with the shares of the other two types of employment – place of work employment and work-at-home employment.

The forecasts used by Hemson in both the 2006 and 2009 reports match the forecasts in their 2005 Growth Outlook for the Greater Golden Horseshoe, which included forecasts for the City of Hamilton that provided the basis for the forecasts in Schedule 3 of the Growth Plan for the Greater Golden Horseshoe. The Hemson forecasts for the Growth Outlook included NFPOW and work at home.

Given that Hemson included no fixed place of work employment in calculating the City’s employment land needs, it may be appropriate to include NFPOW employment in other aspects of planning for these employment lands, including the provision of water and wastewater services (and the sharing of costs for infrastructure required to provide those services).



GRIDS Growth Report

Section 1.4 of the GRIDS Growth Report includes employment forecasts for Hamilton from Places to Grow. Table 1 shows a 2031 employment of 300,000. The text on page 8 of the report confirms that work at home employment is to be included in population-related employment, based on Hemson’s approach in the *Growth Outlook for the Greater Golden Horseshoe*:

Population related employment is defined as “employment which provides services to a resident population in retail and institutional establishments ... (and) also includes those who work at home”. (page 8)

Hamilton Water and Wastewater Master Plan

Figure 9 shows the employment forecast in the W/WW Master Plan – it projects a total of 308,905 jobs for the City in 2031. This is the same forecast used in the City’s Transportation Master Plan, dated May 2007.

Figure 6

Population and Employment Projections, City of Hamilton Water and Wastewater Master Plan

| | Employment | | | | |
|--------------------------------|-------------|---------|---------|---------|---------|
| | 2001 | 2011 | 2021 | 2031 | Growth |
| | <i>Jobs</i> | | | | |
| Existing Urban Boundary | 195,718 | 218,177 | 248,475 | 286,318 | 90,600 |
| Urban Boundary Expansion Areas | - | - | 7,622 | 16,085 | 16,085 |
| Total Urban | 195,718 | 218,177 | 256,097 | 302,403 | 106,685 |
| Total Rural | 9,194 | | | 6,502 | (2,692) |
| Total City of Hamilton | 204,912 | | | 308,905 | 103,993 |

Source: KMK, Water and Wastewater Master Plan, (November 22, 2006)

It is unclear whether the employment forecasts include NFPOW and work at home, but given that the 2031 forecast is over 300,000 jobs for both urban Hamilton and total Hamilton (urban plus rural), and the Hemson Growth Outlook and Growth Plan forecasts for the City totalled 300,000 (and did include NFPOW and work at home), it would seem that NFPOW and work at home were included.



TREATMENT OF NFPOW IN OTHER DC STUDIES

Halton 2012 DC Study and Best Planning Estimates

Halton Region included NFPOW and work at home in their 2004 and 2008 DC updates for the purposes of generating floor space forecast estimates. However, during each review process, the Region highlighted issues they had with including it, and noted that in future updates they would prefer that it was excluded from the forecast.

A 2004 Halton DC staff report stated that:

The current non-residential sq. ft. forecast includes space related to “no usual place of work”. It is difficult to quantify space associated with such criteria. ...

The original 2008 DC Study for Halton Region did not include NFPOW in its employment projects. However, an addendum updated this:

Included in the employment BPE is employment with no-fixed-place-of-work which is employment in Halton with no specific location. Accordingly, increases in BPE employment related to NFPW over the planning horizon would not result in any additional building square feet. Therefore, in the Background Study the employment relating to NFPW was removed from the employment growth forecast for the purposes of projecting building square feet over the planning horizon. However, in reviewing the DC assumptions it was identified that the Water/Wastewater and Transportation Master Plan updates have been prepared based on BPE (2007) that includes service needs related to NFPW. It is therefore consistent to include employment related to NFPW and its resulting square feet in the estimated total square feet for the purpose of calculating the development charge, given that it was included in the master plan work to identify servicing. The proposed adjustment will increase the estimated square feet of non-residential development by 4.2 million square feet and thereby reducing the non-residential development charge. It should be noted that the exclusion of employment related to NFPW is considered appropriate for the purpose of calculating development charges as its growth cannot clearly be tied to service need in Halton. Therefore,



NFPW employment will be excluded in the next DC update (which will include the servicing analysis). [emphasis added]

However, despite the preference in 2008 to exclude NFPOW from the Region’s next DC update, in the Region’s 2012 DC Study, they based their employment projections on their 2012 Best Planning Estimates, which forecast 139,068 jobs over the 2012-2031 period. The Region’s Best Planning Estimates was the population and employment forecast component of their Growth Plan conformity exercise. According to page 5 of the BPE, jobs with no fixed locations “such as construction sites and mobile servicing units” were included in the employment forecast.

Figure 7

Population and Employment Forecasts in Halton DC Study and Calculation of Water/Wastewater Split

| | <u>Population</u> | <u>Employment</u> | <u>Gross Floor Area</u> |
|-----------------------------------|-------------------|-------------------|-------------------------|
| <u>Best Planning Estimates</u> | | | |
| 2011 | 493,045 | 250,932 | |
| 2031 | 752,537 | 390,000 | |
| Growth | 259,492 | 139,068 | |
| <u>Appendix A of DC Study</u> | | | |
| 2011 Population | 493,045 | | |
| 2031 Population | <u>752,537</u> | | |
| Growth | 259,492 | | |
| Commercial | | 64,629 | 32,314,336 |
| Industrial | | 55,520 | 61,093,153 |
| Institutional | | <u>18,919</u> | <u>9,451,113</u> |
| Total | | 139,068 | 102,858,602 |
| <u>Calculation of W/WW Splits</u> | | | |
| 2011 | 476,327 | 247,146 | |
| 2031 | 735,879 | 385,599 | |
| Growth | 259,552 | 138,453 | |
| Water Demands (ML/d) | 153.4 | 59.6 | 213.0 |
| Split | 72.0% | 28.0% | 100.0% |

Source: Halton Region, 2012 DC Background Study, (November 30, 2011)



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In Table A-9 of the Region's 2012 DC Study, the 139,068 jobs forecast over the 2012-2031 period is used to generate gross floor area estimates based on the total employment, which according to page A2-2, included NFPOW employees.

Despite the inclusion of NFPOW employment in the overall employment and gross floor area projections, on Table B-5 on page B2-6 of the 2012 DC study, the calculation of the water and wastewater splits was based on the employment projections to 2031 of 385,599 which is lower than the 390,000 jobs forecast for 2031 through the Best Planning Estimates as summarized in Figure 7, and as shown in Appendix A of the DC Study. Similarly, the population projection used in calculating the splits was also lower than the BPE and Appendix A of the DC Study. The difference between the forecasts is not explained.

In calculating the splits used in the Halton DC Study, the respective water (and wastewater) demands of residential and non-residential growth were applied to the residential and non-residential forecasts.

York Region 2012 DC Study

In the employment growth forecast in York Region's 2012 DC Study, they have an employment forecast that includes both NFPOW and Work at Home. For the purposes of calculating the floor space forecast, they have excluded Work at Home employment, and applied employment density assumptions to the remaining employment. Therefore, they have included NFPOW employment in their gross floor area forecasts.



Figure 8

York Region 2012 DC Study, Employment Forecasts and Calculation of Splits

| | <u>2011</u> | <u>2031</u> | <u>Growth</u> | <u>Factor</u> | <u>Square Footage</u> | |
|------------------------------|-------------|-------------|------------------|-------------------|-----------------------|--------------|
| Industrial | | | 55,320 | 950 | 52,554,000 | |
| Office | | | 84,086 | 300 | 25,225,800 | |
| Institutional | | | 24,341 | 1000 | 24,341,000 | |
| Retail | | | 57,533 | 500 | 28,766,500 | |
| Total (excl Work at Home) | | | 221,280 | | 130,887,300 | |
| Work at Home | | | 33,770 | | | |
| Total | 524,950 | 780,000 | 255,050 | | | |
| | | | <u>Persons /</u> | <u>Per Capita</u> | <u>Total Flows</u> | <u>Share</u> |
| <u>Calculation of Splits</u> | | | <u>Jobs</u> | <u>Flow</u> | | |
| Residential Growth | | | 423,300 | 245.7 | 104,004,810 | 66.8% |
| Non-Residential Growth | 480,421 | 701,700 | 221,279 | 234.0 | 51,779,286 | 33.2% |
| Total | | | | | 155,784,096 | 100.0% |

Source: York Region, 2012 Development Charge Background Study, (February 14, 2012)

The calculation of the residential / non-residential splits in table 5-2 on page 42 of the 2012 DC Study uses the non-residential growth of 221,279 jobs. Therefore, the York Region DC includes NFPOW in both the floor space forecasts and the calculation of the splits.

In the Region’s March 2010 land budget, they also included NFPOW in the employment projections used to calculate employment land needs.

City of Guelph Employment Lands Reports and DC Study

The City of Guelph’s DC study employment forecasts were based on their Employment Land Strategy report. Section 7.2 of the City’s Employment Lands Strategy, dated July 29, 2008:

In generating employment land area requirements for the City of Guelph, the following steps have been undertaken:

1. *Remove Work at Home Employment and No Fixed Place of Work Employment*



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...as a first step, all estimated "Work at Home" has been excluded from the employment land needs analysis, as these employees do not require land in the City's designated employment areas. "No Fixed Place of Work Employees", e.g. landscape contractors, travelling salespersons, independent truck drivers, etc., are also excluded from the employment on employment lands forecast. Similar to Work at Home employees, these employees are not anticipated to have an impact on long-term employment land needs in Guelph.

The City's 2008 DC Study (prepared by Watson and Associates) did not factor in NFPOW employment into the calculation of gross floor area which was used to determine the DC rates. The residential / non-residential splits were determined by dividing employment by total population and employment, where employment excluded NFPOW.

Many of the DC studies I reviewed in our DC study library do not mention NFPOW employment – however many of these studies were from the last round of DC updates in 2008/2009 and for municipalities inside the Greater Golden Horseshoe and therefore subject to the Growth Plan, they may not have used employment forecasts that reflected Growth Plan forecasts and land budget exercises done to conform to the Growth Plan.

If we were to move onto preparing for a hearing and researching further for a witness statement we would want to look at the DC studies for the single-tier and upper-tier municipalities in the GGH to see if they had based their DC studies on the Schedule 3 forecasts from the Growth Plan which include NFPOW and work at home.

CONCEPTUAL DEVELOPMENT PROJECT TIMELINE

250 UNIT CONDOMINIUM IN THE CITY OF TORONTO, 4-5 LEVELS OF PARKING

| Year | Month | Milestone | Notes |
|---|-------|--|---|
| 1 | 1 | Developer Secures Site to Potentially Develop | During this “due diligence” period, a developer will conduct a residual analysis. It starts with a market review of the site, determine what you can sell a home for, <u>estimate</u> all hard and soft costs (potentially 3 years later), and then determine what the resulting land price might be. |
| | 2-3 | Developer Firms of Agreement of Purchase and Sale to Purchase Site | |
| | 3-4 | Developer advances a development concept to present to municipality | |
| | 5 | Concept presentation - “Pre-consultation” | |
| | 7 | OPA &/ ZBA Application | |
| 2 | 19 | Site Plan Application | Assumed duration for processing 12 -15 months Prudent to file application after applicant and City have flushed out major issues during internal and external agency circulation and public consultation |
| | 23 | Final Staff Report on OPA &/ZBA | |
| | 23 | Marketing and Sales Launch | At this point a solid budget should be established ensuring that the purchase price of the units and the resulting project revenue can cover all project costs and maintain a profit to satisfy the lending institutions. HOMEOWNERS ENTER INTO PRE-CONSTRUCTION PURCHASE AND SALE AGREEMENTS – Deposits provided, mortgage financing confirm, Condo Bylaws/Fees disclosed, Occupancy Date (Tarion) |
| 3 | 24-30 | Bills for Zoning By-law Enactment approved by council | On occasion s.37 payments are required before this will take place. It could happen the following month after the Final Staff report is prepared, it could happen 6 months after, dependent on conditions. |
| Assume 18 months to reach 70-80% presales requirement | | | |
| 4 | 41 | Construction Start and 1 st Permits are issued (shoring & excavation) | |
| | 45 | Foundation Permit Issuance | On occasion s.37 payments may be made at this point |
| 5 | 51 | Superstructure Issuance (above grade permits) | Development Charges, parkland dedication/CIL and s.37 payments are made |
| Assume another 18 months are required to complete the project | | | |
| 6 | 68 | Occupancy | HOMEOWNERS ENTER BUILDING |
| | 70 | Registration of Plan of Condo | |
| | 71 | Closings | HOMEOWNERS GAIN TITLE/CLOSE THE DEAL |
| | 72 | MPAC assessments | HOMEOWNERS PAY MUNICIPAL TAXES |

Note: Project timeline has been estimated assuming a softened market. Project timeline may be accelerated by approximately 6-9 months if a rapid sales pace is achieved. It still takes approximately 5-6 months to prepare permit and tender set of drawings and another 3 months to get through a permit review process (1st permits only) to commence construction.

Big Hit on GTA Middle-Class Home Buyers with the Ontario Budget's HST Proposals

Independent Real Estate Intelligence

FINAL REPORT

May 1, 2009



Big Hit on GTA Middle-Class Home Buyers with the Ontario Budget's HST Proposals

Prepared for:

**Building Industry and Land Development Association
(BILD)**

Prepared by:

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Altus Group

May 1, 2009

EXECUTIVE SUMMARY

This paper is a response to the Harmonized Sales Tax (HST) proposals contained in the *2009 Ontario Budget* relating to the tax treatment of new housing and contractor renovations. It deals with proposals for the taxation of new ownership housing. The proposed taxation of new rental housing and contractor renovations will be the subject of a separate paper I am preparing.¹

In short, the \$400,000 price threshold established by the provincial government generates a net provincial tax increase of \$800 million (\$1.8 billion including renovations) on new home buyers in Ontario, with \$575 million of the \$800 million imposed on new home buyers in the Greater Toronto Area (GTA).

The provincial threshold of \$400,000 captures middle-class households and could threaten as many as 21,200 jobs should housing starts fall by up to 15 per cent as a result of the tax treatment on new homes over \$400,000.

RECOMMENDATIONS

The following recommendations for changes to the new housing proposals contained in the March Ontario Budget are presented in order to minimize negative ramifications on new home buyers, the housing market and the economy at large from the application of the HST in Ontario.

For new ownership housing – as recommended in my previous paper *New Housing is Different: Implications for Sales Tax Harmonization on New Home Buyers in Ontario*² - provide the same rebate to all homes regardless of price level – establishing a neutral tax revenue treatment for new housing.

If this option is not acceptable to the provincial government, in an effort to improve the tax treatment of new housing in the proposed HST structure, it is recommended that on the incremental value above \$400,000 a progressive tax structure be applied – similar to the structure established by both the provincial Land Transfer Tax and the Income Tax.

¹ I am also preparing a paper that examines the theoretical basis for treating new housing and contractor renovations differently from household expenditures on goods and services and the tax treatment of new housing and contractor renovations in other jurisdictions under a value-added tax structure comparable to the proposed HST.

² Frank A. Clayton, *New Housing is Different: Implications for Sales Tax Harmonization on New Home Buyers in Ontario*, March 2009, prepared for BILD before the March 26th budget.

Along with improving the tax treatment of new housing on the Ontario portion of the HST, it is equally important that the federal government improve the GST treatment of new housing and immediately raise the GST thresholds to reflect the inflationary increases in new home prices since 1991.

SUBSTANTIAL NEW TAXES ON NEW HOUSING IN ONTARIO

The Budget's HST proposals will result in a large increase in sales tax revenues to the province from new ownership housing and renovations. I estimate that in the absence of the adverse economic consequences mentioned below, the province would collect some \$2.9 billion in taxes annually from the HST, an increase of approximately \$1.8 billion over the \$1.1 billion now collected under the PST from new ownership housing and contractors' renovations alone.

Additional HST taxes will be collected from new rental housing, taxing of closing costs on new and existing homes, and the additional taxes levied on the inputs for the owners of rental properties.

If the tax treatment of new housing is not improved, it will ultimately result in less new residential construction, less contractor renovation spending and a shift to renovations being done through the underground economy. As a result, the tax revenues the province and the federal government are currently collecting under income taxes and the federal GST will be diminished.

The tax treatment of new housing under the HST runs counter to a number of key provincial public policy goals, including the Province's *Growth Plan for the Greater Golden Horseshoe*.

NEW OWNERSHIP HOUSING – UNDERSTANDING THE PROPOSED TAX STRUCTURE AND THE GTA IMPACT

The HST proposes to tax new ownership housing priced under \$400,000 at 2% rising quickly to 8% for homes of \$500,000 and over as illustrated by:

- HST on new \$400,000 home = \$8,000; rising to
- HST on new \$500,000 home = \$40,000.

The tax rate on the \$100,000 price difference between these homes is a huge 32% (\$32,000/ \$100,000). This extraordinarily large increase in taxes will undermine the opportunity for middle-income Ontarians to purchase a new home, erode the competitiveness of new homes versus the large stock of existing homes, reduce

the volume of new housing built and cause buyers to move away from urban centres to obtain less expensive housing that escapes the burden of the new tax.

The impacts will disproportionately hit new housing in the Greater Toronto Area because of its higher price level and middle income households:

- GTA buyers will be hit with an estimated 72% of the province-wide increase in sales taxes on new ownership housing resulting from the Province's HST proposals; and
- New homes over \$400,000 are not exclusively owned by the very wealthy. Among owners of newly-built homes in the GTA that are valued at \$400,000 and above, a significant number of households are classified economically as "middle class".

NEW OWNERSHIP HOUSING – OPTIONS TO IMPROVE THE TAX TREATMENT OF NEW OWNERSHIP HOUSING UNDER THE HST

I have formulated three options to the Budget proposals:

- **The Neutral Tax Revenue option** - establishing a neutral tax revenue treatment for new housing by applying a 2% tax rate against all new housing regardless of price, the same effective tax rate as under the existing PST.
- **The Progressive Tax Rate option** – tax the first \$400,000 of value at 2% and apply a progressive tax structure against the portion of the value above \$400,000 - similar to the structure established by both the provincial Land Transfer Tax and the Income Tax.
- **Updated GST Price Threshold option** – The federal government should immediately update the 1991 GST rebate price thresholds from \$350,000 and \$450,000 for home inflation since 1991 to \$550,000 and \$700,000, with the Ontario government harmonizing to these new federal thresholds, along with regularly updating the thresholds for inflation in the future.

The first option would be preferred in terms of ensuring no negative impacts on new housing or home buyers. The second option would eliminate the sharp rise in the marginal tax rate for homes priced greater than \$400,000, thereby moderating the adverse housing and economic repercussions flowing from this anomalous feature of the proposed HST.

The third option, although a federal initiative, would improve the thresholds for the overall treatment of new housing under the proposed HST to reflect the current new housing market reality. However it would still have negative ramifications for the housing market.

TRANSITION PROVISIONS

The introduction of any new tax or major alteration of the function of a present tax is sure to disrupt the normal operation of the housing market. The HST is scheduled to take effect on July 1, 2010 and is likely to have a profound negative impact on new homes in the pipeline without proper transition rules that recognize the lengthy investment, planning, development, sales and marketing, and the building cycle inherent in residential construction, whether high-rise or low-rise.

The transition provisions need to be looked at from a buyer's standpoint in terms of the individual agreements of purchase and sale, along with protecting the project viability by understanding the economics of the entire project which go all the way back to the investment in the land and may take years to realize.

I take it as a given that there will be no retroactive taxation as a result of the HST and put forward the following scenarios relating to purchasers as well as projects, to ensure that outcome:

- Exemption from any HST increase for new homes purchased prior to the budget (before March 26, 2009) that close after the implementation date (July 1, 2010) of the HST;
- Exemption from any HST increase for new homes purchased after the budget (March 26, 2009), but before the scheduled implementation date of the HST (July 1, 2010), that close after the implementation date; and
- Exemption from any HST increase for projects registered with Tarion prior to the implementation date of the HST (July 1, 2010) with units closing after the implementation date of the tax.

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This paper is a sequel to another paper I recently prepared entitled *New Housing is Different: Implications for Sales Tax Harmonization on New Home Buyers in Ontario* (March 9, 2009). This earlier paper was prepared prior to the tabling of the 2009 *Ontario Budget* on March 26th. A summary of its findings is included in Appendix A.

This current paper revisits the Harmonized Sales Tax (HST) issue in response to the proposed tax treatment of new ownership housing contained in the 2009 *Ontario Budget*. It also discusses the importance of transitional provisions that treat new home buyers and homebuilders fairly and that minimize market disruption from the conversion to the new Harmonized Sales Tax (HST) from the existing Provincial Sales Tax (PST).

I am preparing another paper that deals with the HST proposals on new rental housing and contractor renovations.³

1. SUMMARY OF PROVINCE'S HOUSING HST PROPOSALS

The 2009 *Ontario Budget* proposes to combine the province's PST with the federal GST to create a federally-administered single sales tax (the province's share of the new tax is referred to as the HST in this paper). The new tax is scheduled to start July 1, 2010.

1.1 New Ownership Housing

The 2009 *Ontario Budget* proposes to tax new ownership housing at the full HST tax rate of 8%, the same rate as the existing PST, with the exception of new homes qualifying for a full or partial New Housing Rebate:

- **For new homes priced under \$400,000:** a rebate of 75% (6 percentage points) resulting in an effective tax rate of 2%⁴, matching the existing embedded PST currently levied only on building materials;
- **For new homes priced between \$400,000 and \$500,000:** the rebate declines sharply from 75% to nil with the result that the effective tax

³ I am also preparing a paper that examines the theoretical basis for treating new housing and contractor renovations differently from household expenditures on goods and services and the tax treatment of new housing and contractor renovations in other jurisdictions under a value-added tax structure comparable to the proposed HST.

⁴ The term "effective tax rate" refers to the amount of tax levied on a new home as a percentage of the price of the home.

rate rises from 2% to 8% on the full price of the homes in this price range, not just the increment in price above \$400,000; and

- **New homes priced above \$500,000:** these homes would receive no rebate, so the homes are taxed at an effective rate of 8% on the full price.

There is no mention of adjusting the \$400,000 and \$500,000 price thresholds upwards for future housing price inflation, so that over time, with static price thresholds, fewer and fewer homes will qualify for the rebate.

1.2 Transitional Provisions

The Budget does not provide information on how the transition between the existing PST and the new HST will be carried out for new housing. Badly chosen rules could have undesirable harsh repercussions on the buyers and sellers of new homes over the period between now and July 1, 2010 and cause unwanted disruption to the new housing market resulting in new residential construction and ancillary job losses.

1.3 Stifling Increase in Taxes on Housing with the Proposed HST

The province's proposals entail large increases in the rate of taxes on the housing sector from 2% rising to 8% for new ownership homes priced at over \$400,000.

These increases are magnified in the case of new housing because new housing is an investment good providing a stream of consumption for 50 to 75 years or more into the future. The proposed tax is a tax on current and all future housing services.

Under its proposals, the province will levy some \$1.8 billion in sales tax revenues over and above the estimated \$1.1 billion in revenues now collected with the existing PST even with the exemption it has proposed with respect to new ownership homes prices under \$400,000 including⁵:

- An estimated increase of \$800 million in additional taxes on new ownership housing not eligible for the New Housing Rebate; and

⁵ These revenue estimates do not allow for any reduction in the volume of new construction or contractor renovations due to the additional tax levies, which would reduce not only sales tax revenues to the province and the federal government but other tax revenues such as the income tax.

- An additional \$990 million of taxes levied on residential renovations undertaken by contractors (there would not be any tax increase on do-it-yourself renovations).

Figure 1

Estimated Additional Sales Taxes Imposed on New Ownership Housing and Contractor Renovations Under the Ontario HST

| | Existing PST | Proposed HST | Increase in Taxes Imposed |
|------------------------|-----------------|-----------------|---------------------------------|
| | <i>Millions</i> | | |
| New Ownership Housing | \$ 601 | \$ 1,399 | \$ 798 |
| Contractor Renovations | <u>\$ 477</u> | <u>\$ 1,468</u> | <u>\$ 991</u> |
| Total | \$ 1,078 | \$ 2,867 | \$ 1,789 |

Source: Altus Group Economic Consulting

The province's actual tax levies under the new HST from the housing sector will be even higher than indicated in Figure 1. The revenue estimates in Figure 1 exclude:

- Added revenues from new rental construction;
- Additional sales taxes on closing costs of new and existing homes (legal fees, mortgage insurance premiums, etc) due to the broadening of the sales tax base; and
- Added taxes paid by rental housing providers (owners of rental properties) due to the broadening of the tax base combined with exempting rents from the tax – rental housing providers will have to pay HST on their input costs but will not get input credits.

1.4 The New HST Fails to Consider the Land Transfer Tax is Already a Tax on Home Sales

In reality, new homes are not only taxed at the present time under the existing PST, but under the long-standing land transfer tax of the province as well. The rate of tax under the land transfer tax reaches 2% for the portion of value above \$400,000. For new homes in the City of Toronto there is a second land transfer tax which was introduced last year. Here the rate of tax reaches 1.5% for the portion of sales price above \$400,000.

The analysis in this report does not explicitly consider these land transfer taxes but they are a sales tax over and above the tax proposed by the

province under the HST, e.g., there is double taxation by the province and triple taxation in the City of Toronto on the sales of new homes.

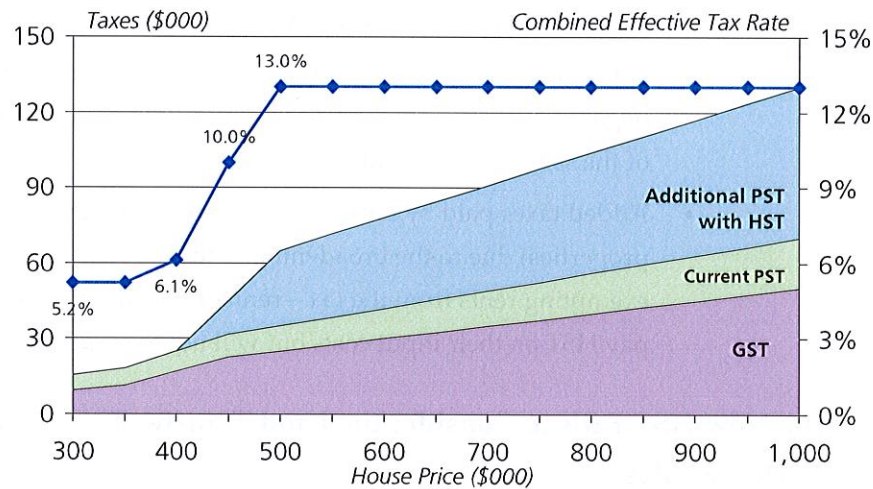
2. NEW OWNERSHIP HOUSING

2.1 An Aberrant Leap in the Effective Tax Rate on New Homes Priced Between \$400,000 and \$500,000

Figure 2 shows the net new revenues to the province under the HST rise from nil for houses priced at \$400,000 to \$30,000 for houses priced at \$500,000 (blue coloured area at top). This results from a marked rise in the effective tax rate (taxes as percent of sale price) from 2%, the rate embedded in the existing PST, to 8% over a \$100,000 price bracket for new housing.

Figure 2

Total Federal and Provincial Sales Taxes on New Housing Under Ontario HST Proposal



Source: Altus Group Economic Consulting

The “marginal tax rate” on buying a \$500,000 home rather than a \$400,000 home under the proposed provincial tax is a whopping 32% (\$32,000/\$100,000).

The magnitude of the additional taxes on new housing proposed by the province between a house priced at \$400,000 and a house priced at \$500,000 is exorbitant in relation to the combined burden of the present PST and the federal GST. It also fails to consider that onerous municipal-imposed charges on new housing are already in place in the province and that new housing is

more expensive in Ontario than in most provinces.⁶ Within the province, new housing in the GTA is more expensive than in most other areas.

2.2 GTA Hit Hard by the Additional Tax on New Housing

Figure 3 shows the brunt of the tax will be borne by home buyers living in the GTA who will be bearing \$575 million of the additional \$800 million in provincial sales tax. GTA buyers will be hit with an estimated 72% of the province-wide increase in sales taxes on new ownership housing resulting from the Province's HST proposals.

Figure 3

Additional Provincial Sales Tax Revenue on New Ownership Housing Under the Proposed HST, Percent of Total Increase in Province

| | Type of Housing | | | Type of Housing | | |
|-----------------|-----------------|-----------|--------|-----------------|-----------|--------|
| | Single-Detached | All Other | Total | Single-Detached | All Other | Total |
| | \$Million | | | Percent | | |
| GTA | | | | | | |
| City of Toronto | \$ 79 | \$ 55 | \$ 134 | 9.9% | 6.9% | 16.8% |
| 905 Areas | \$ 398 | \$ 42 | \$ 440 | 49.9% | 5.3% | 55.2% |
| Total | \$ 477 | \$ 98 | \$ 575 | 59.8% | 12.3% | 72.0% |
| Rest of Ontario | \$ 205 | \$ 18 | \$ 223 | 25.7% | 2.3% | 28.0% |
| TOTAL ONTARIO | \$ 682 | \$ 116 | \$ 798 | 85.4% | 14.6% | 100.0% |

Source: Altus Group Economic Consulting based on 2006 Census and Statistics Canada data

New single-detached housing will bear approximately 85% of the estimated additional tax burden on new ownership housing under the Province's HST proposals net of the New Housing Rebate (an estimated \$800 million dollars).⁷ This is considerably higher than the share of new housing built in recent years that consisted of single-detached houses (about 64%).

⁶ Appendix B describes the regimes of government-imposed costs (all levels of government) on new housing across Canada which demonstrates that new housing in Ontario, along with B.C., is already subjected to the most onerous government-imposed costs in aggregate, in the absence of the massive increase in HST taxes being proposed in Ontario for homes priced above \$400,000. The proposed HST will push Ontario into a category by itself in terms of the quantum of costs imposed on new housing within its borders.

⁷ This finding is based on an examination of the price range of new homes absorbed in the first half of the decade with the prices updated to early 2009 values. These data likely understate the percentage of new dwellings other than single-detached homes, particularly in the City of Toronto, with more luxurious condominium apartment projects being marketed in recent times.

2.3 Significant Numbers of Middle-Income Households Buy Homes Priced at \$400,000 and Over

New homes over \$400,000 are not exclusively owned by very wealthy Ontarians. Among owners of newly-built homes in Ontario that are valued at \$400,000 and above, a significant number of households are classified economically as “middle class”:

- Over one-quarter of owners of newly-built homes in Ontario and the GTA that are valued at \$400,000-\$499,999 have total household incomes of \$70,000 or less as do over one-fifth of buyers of homes priced at \$500,000 or more (Figure 4).
- About half of owners of newly-built homes in Ontario and the GTA that are valued at \$400,000-\$499,000 have total incomes below \$100,000 as do more than a third of the buyers of homes priced at \$500,000 or above.

Figure 4

Income of Households Buying New Homes Priced \$400,000 and Over, Ontario and GTA, 2006*

| Household Income | Ontario | | GTA | |
|------------------------|-----------------------------|--------------------|---------------------|--------------------|
| | \$400,000-\$499,000 | \$500,000 and Over | \$400,000-\$499,000 | \$500,000 and Over |
| | <i>Percent Distribution</i> | | | |
| Under \$70,000 | 26.6 | 22.6 | 29.2 | 23.7 |
| \$70,000 to \$99,999 | 21.7 | 14.9 | 22.4 | 15.2 |
| \$100,000 to \$124,999 | 17.5 | 13.2 | 18.0 | 13.3 |
| \$125,000 to \$149,999 | 13.1 | 10.7 | 12.5 | 10.6 |
| \$150,000 and over | 21.1 | 38.6 | 17.9 | 37.2 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 |

* New homes approximated by dwellings constructed over the 2001-2006 period.

Source: Altus Group Economic Consulting based on 2006 Census custom tabulations

Households with incomes in these ranges (below \$100,000) are solidly middle-class, and are generally below most of the other “surtax” categories considered in other taxation programs. Households in these categories with two incomes are generally well below the highest tax brackets in Ontario. They do not qualify for Ontario’s income tax “surtax” and would qualify for the province’s proposed \$1,000 transition rebate for consumer services subject to the new HST. In light of this, the additional tax on new ownership housing through the HST appears to be treating these middle-income, middle-class families in a contradictory fashion from a public policy perspective.

2.4 Negative Economic Impacts of the Province's HST Proposals for New Ownership Housing

The housing industry is an important generator of jobs. It is estimated that new home and renovation construction activity provides about 325,000 person years of employment in construction and related industries. The proposed HST on new housing (and renovations) will compromise the ability of the housing industry to continue to provide this large number of jobs.

Figure 5 illustrates the disproportionate impact of the HST on GTA new home buyers. It is estimated that almost 44% of new homes sold in the GTA are priced \$400,000 or higher, about double the proportion in the rest of the province.

Figure 5

Proportion of New Housing Units by Price Range of Dwelling Type

| | City of Toronto | Rest of GTA | GTA | Rest of Ontario | Ontario |
|--------------------------|-----------------------------|----------------|-------|--------------------|---------|
| | <i>Percent Distribution</i> | | | | |
| Single-Detached | | | | | |
| Under \$400,000 | 4.9 | 21.8 | 18.1 | 57.0 | 35.7 |
| \$400,000-\$499,999 | 4.1 | 18.8 | 15.6 | 10.3 | 13.2 |
| \$500,000 and over | 11.0 | 22.3 | 19.8 | 10.1 | 15.4 |
| Total | 19.9 | 62.9 | 53.5 | 77.4 | 64.3 |
| All Other Dwelling Types | | | | | |
| Under \$400,000 | 61.5 | 31.5 | 38.1 | 20.8 | 30.3 |
| \$400,000-\$499,999 | 8.6 | 3.6 | 4.7 | 0.9 | 3.0 |
| \$500,000 and over | 10.0 | 2.0 | 3.7 | 0.9 | 2.4 |
| Total | 80.1 | 37.1 | 46.5 | 22.6 | 35.7 |
| All Dwelling Types | | | | | |
| Under \$400,000 | 66.4 | 53.4 | 56.2 | 77.8 | 66.0 |
| \$400,000-\$499,999 | 12.7 | 22.4 | 20.3 | 11.2 | 16.2 |
| \$500,000 and over | 20.9 | 24.2 | 23.5 | 11.0 | 17.8 |
| Total | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |

Note: Distribution of new housing absorption 2001-2006 with prices updated to early 2009.
Source: Altus Group Economic Consulting based on 2006 Census custom tabulations

2.5 Fewer New Ownership Housing Units Built Because of the Higher Taxes on Homes Priced \$400,000 or More

The sharp rise in the effective tax rate from 2% to 8% for new homes priced below \$400,000 and those priced above \$500,000 cannot avoid having negative repercussions on the demand for new homes in the \$400,000 up to \$800,000 range and even higher ranges. Resale homes which are not taxed

will be a more attractive alternative so demand will shift from new to resale homes.

Even a 10 to 15% reduction in the demand for new homes because of the new tax translates into some 7,400 to 11,100 fewer new housing units being built annually in the province. This drop in new housing construction would directly impact new housing centred in the GTA.

2.6 Reduced New Housing Construction Translates into Less Economic Activity and Fewer Jobs in Construction and Ancillary Sectors

A 10% to 15% decline in the level of new residential construction will have significant repercussions on employment and other taxes levied by the province (e.g., income tax):

- 14,100 to 21,200 fewer person years of employment in the construction industry and industries providing goods and services to it;
- \$0.72 to \$1.1 billion dollars in lost wages; and
- \$50 to \$75 million dollars in lost provincial income taxes.

2.7 Encouraging New Home Buyers to Move Further Out to Find Less Expensive Homes

New homes typically are less expensive in locations at or beyond the suburban fringe of larger urban centres like Toronto or Ottawa. Home buyers who had intended to buy a \$500,000 home in, say, Markham with the HST proposal will have an incentive to move further out and buy the same home for \$400,000 in places like Georgina or East Gwillimbury. The obvious results are more lower density outlying communities, generating longer commutes and creating larger environmental footprints, all of which work against key provincial public policy and planning initiatives like the province's *Growth Plan for the Greater Golden Horseshoe*.

3. OPTIONS TO THE PROVINCE'S HST PROPOSALS ON NEW OWNERSHIP HOUSING

Clearly, the current HST proposals at the provincial level and/or the provisions of the GST levied on the new housing sector need to be improved to reduce the sizeable harmful impacts from the new HST on new housing.

3.1 Neutral Tax Revenue Option - Tax All New Ownership Housing at 2%

The most obvious option from an economic impact concern would be for the province to adopt a neutral tax revenue HST system that would not increase the tax burden on new housing from the taxes under the existing PST.

This would be achieved by keeping the sales tax rate at the existing 2% for all new ownership housing, that is, by extending the province's proposed rebate of 6 percentage points for new ownership housing priced under \$400,000 to all new housing regardless of price range, as recommended in my March 2009 report (see Conclusions in Appendix A).

If the province is not prepared to consider the extension of its New Housing Rebate to all new homes, other options can help mitigate the negative impacts of the HST proposals in the Budget. Two possible options are outlined below.

3.2 The Progressive Tax Rate Option

Under the Progressive Tax Rate option, new housing priced under \$400,000 would continue to be taxed at 2% (after the rebate) with a progressive tax structure (rising to 8%) applied to the incremental value of homes priced above \$400,000 (see Figure 6).

A progressive tax rate is already in use under the province's land transfer tax (as well as in the City of Toronto). Here is how the province's land transfer tax works:

| <u>Value Increments</u> | <u>Tax Rate</u> |
|---|-----------------|
| Value up to and including \$55,000 | 0.5% |
| Value exceeding \$55,000 up to and including \$250,000 | 1.0% |
| Value exceeding \$250,000 up to and including \$400,000 | 1.5% |
| Value exceeding \$400,000 | 2.0% |

The personal income tax also provides a precedent for the use of a progressive rate structure. Only incremental income is taxed at the higher marginal tax brackets, not all income.

Figure 6

| Price of New House | Proposed HST | | Progressive Tax Option* | |
|---|--------------------|----------------|-------------------------|-----------|
| | Effective Tax Rate | Dollars | Effective Tax Rate | Dollars |
| \$ 400,000 | 2% | \$ 8,000 | 2.0% | \$ 8,000 |
| \$ 450,000 | 5% | \$ 22,500 | 2.7% | \$ 12,000 |
| \$ 500,000 | 8% | \$ 40,000 | 3.2% | \$ 16,000 |
| \$ 600,000 | 8% | \$ 48,000 | 4.0% | \$ 24,000 |
| \$ 700,000 | 8% | \$ 56,000 | 4.6% | \$ 32,000 |
| \$ 800,000 | 8% | \$ 64,000 | 5.0% | \$ 40,000 |
| \$ 900,000 | 8% | \$ 72,000 | 5.3% | \$ 48,000 |
| \$ 1,000,000 | 8% | \$ 80,000 | 5.6% | \$ 56,000 |
| Additional Provincial Revenue over Existing PST | | \$ 798 Million | \$ 366 Million | |

* 2% on first \$400,000, 8% on value over \$400,000
Source: Altus Group Economic Consulting

This option would generate additional net provincial tax revenue of an estimated \$366 million.

It also serves to mitigate the 32% marginal tax anomaly created between the \$400,000 and \$500,000 threshold under the HST structure which has a disproportionate negative impact on GTA home buyers.

3.3 The Updated GST Price Thresholds Option

The third option, although a federal initiative, would improve the thresholds for the overall treatment of new housing under the proposed HST to reflect the current new housing market reality.

Raising the GST thresholds according to the New Housing Price Index published by Statistics Canada (a 56.75% increase since 1991 for Canada) would result in the following thresholds for ownership homes:

- New homes under \$550,000 would qualify for the full provincial and federal rebates; and
- New homes over \$700,000 would not qualify for a rebate (see Figure 7).

The proposed Ontario HST includes rebates based on the thresholds of homes valued at \$400,000 and \$500,000. These thresholds differ from the existing federal GST thresholds of \$350,000 and \$450,000. The federal

government has not changed the thresholds for the GST since its introduction in 1991.

The federal government should immediately update the 1991 GST rebate price thresholds from \$350,000 and \$450,000 for home inflation since 1991 to \$550,000 and \$700,000, with the Ontario government harmonizing to these new federal thresholds, along with regularly updating the thresholds for inflation in the future.

Under this option, the taxes levied on new housing would not record the full 8% rate until after \$700,000. Thus, there would be a marked drop in the effective tax rate on homes priced from \$400,000 to \$700,000 from what the province is proposing.

The province would also collect more HST revenue (about \$465 million) under this option than under the current PST.

Figure 7

Comparison of Provincial Sales Tax on New Ownership Housing Under Updated GST Thresholds Option

| Price of New House | Proposed HST | | Updated GST Thresholds Option* | |
|---|--------------------|----------------|--------------------------------|---------|
| | Effective Tax Rate | Dollars | Effective Tax Rate | Dollars |
| \$ 400,000 | 2% | \$ 8,000 | 2.0% | 8,000 |
| \$ 450,000 | 5% | \$ 22,500 | 2.0% | 9,000 |
| \$ 500,000 | 8% | \$ 40,000 | 2.0% | 10,000 |
| \$ 540,000 | 8% | \$ 43,200 | 2.0% | 10,800 |
| \$ 620,000 | 8% | \$ 49,600 | 5.0% | 31,000 |
| \$ 700,000 | 8% | \$ 56,000 | 8.0% | 56,000 |
| \$ 800,000 | 8% | \$ 64,000 | 8.0% | 64,000 |
| \$ 900,000 | 8% | \$ 72,000 | 8.0% | 72,000 |
| \$ 1,000,000 | 8% | \$ 80,000 | 8.0% | 80,000 |
| Additional Provincial Revenue over Existing PST | | \$ 798 Million | \$ 464 Million | |

* Ontario Budget Proposal with updated federal GST thresholds of \$540,000 and \$700,000 (adjusting the 1991 thresholds (\$350,000 and \$450,000) by the increase in Statistics Canada's new housing price index for Canada between 1991 and 2008)
Source: Altus Group Economic Consulting based on Statistics Canada data

The Updated GST Price Threshold Option would be less effective than the Progressive Tax Rate Option in mitigating the negative economic impact of the current HST proposals but would ameliorate the disproportionate impact the current HST proposal would have on middle income households.

4. TRANSITION PROVISIONS

The introduction of any new tax or major alteration of the function of a present tax is sure to disrupt the normal operation of the housing market. The HST is scheduled to take effect on July 1, 2010 and is likely to have a profound negative impact on new homes in the pipeline without proper transition rules that recognize the lengthy investment, planning, development, sales and marketing and the building cycle inherent in residential construction, whether high-rise or low-rise.

The transition provisions need to be looked at from a buyer's standpoint in terms of the individual agreements of purchase and sale, along with protecting the project viability by understanding the economics of the entire project which go all the way back to the investment in the land and may take years to realize.

I take it as a given that there will be no retroactive taxation as a result of the HST and put forward the following scenarios relating to purchasers as well as projects, to ensure that outcome:

- New homes purchased prior to the budget (before March 26, 2009) that close after the implementation date (July 1, 2010) of the HST;
- New homes purchased after the budget (March 26, 2009) but before the scheduled implementation date of the HST (July 1, 2010) that close after the implementation date; and
- Projects registered with Tarion prior to the implementation date of the tax (July 1, 2010) with units closing after the implementation date of the tax.

4.1 New Homes Purchased Prior to the Budget

Obviously, anyone who entered into an agreement of purchase and sale prior to the budget should be exempt from the tax increase, regardless of when the unit closes. There are literally thousands of condominium purchasers in the GTA awaiting delivery of units in the post July 1, 2010 timeframe. Many of these agreements of purchase and sale include cost pass-through clauses so these buyers are anxiously awaiting clarification from the provincial government that there will be no retroactive taxation as a result of the HST.

4.2 New Homes Purchased Since the Budget

As noted above, the market for new homes over \$400,000 has been virtually paralyzed since the budget and the only way it can be revived is to clearly exempt agreements of purchase and sale entered into since the budget but prior to the implementation date of the tax, even if the home or condominium unit will be delivered after the implementation date of the tax.

4.3 Projects Registered Prior to the Implementation Date of the Tax

On the implementation date of the tax, there will obviously be Tarion-registered high-rise and low-rise projects on the market which were fully conceived, marketed and financed under the PST rules and which need to be completed under that tax regime within reason and recognizing the much slower absorption rates forecast for the mid-term compared to recent years.

APPENDIX A
CONCLUSIONS FROM PAPER ENTITLED
New Housing is Different: Implications for
Sales Tax Harmonization on New Home Buyers
in Ontario

Conclusions from Paper Entitled: *New Housing is Different: Implications for Sales Tax Harmonization on New Home Buyers in Ontario*⁸

- It would be irresponsible to subject the full price of new homes to the HST:
 - New housing is unique from personal expenditure on goods and services in that it is an investment good providing a stream of consumption for 50 to 75 years or more into the future;
 - It also provides a stream of annual property tax payments over the life of the structure; and
 - New housing is already the target of a number of onerous government-imposed charges and other taxes including development charges, land transfer taxes and land dedications.
- Taxing new housing in the Greater Toronto Area (GTA) at the full rate of the new HST would have severe consequences on new home buyers, as well as the new housing industry and the economic sectors dependent on it:
 - Housing affordability would deteriorate and the volume of new residential construction would decline; and
 - The housing industry is an important engine of job growth directly or indirectly providing an estimated 325,000 jobs in Ontario in 2007. Any reduction in new housing construction activity because of HST implementation will cause job losses.
- In order to avoid a negative impact on housing affordability, the preferred HST treatment for new homes would be to apply a tax rate of approximately 2% to the price of new homes:
 - This is the estimated tax rate on new homes under the present PST resulting from the taxation of building materials.

⁸ Frank A. Clayton, *New Housing is Different: Implications for Sales Tax Harmonization on New Home Buyers in Ontario*, March 2009, prepared for BILD before March 26th budget.

- Alternatively, if the relief were to be provided in the nature of a GST-style new housing tax rebate, the price thresholds for qualification should be realistic in terms of today's prices and updated for inflation in the future on a regular basis, unlike the GST price thresholds, which have not changed since 1991 when the tax was introduced, despite promises from the federal government at the time.

APPENDIX B
Excerpt from
Altus Group Housing Report, March 2009



Altus Group

HOUSING REPORT

Vol. XVIII, No. 9
March 2009

A NEW CMHC-COMMISSIONED STUDY TELLS US ABOUT GOVERNMENT-IMPOSED COSTS

Governments have a tendency to burden the new housing sector with additional costs in a bid to raise revenues (e.g., development charges, land transfer taxes), to enhance the “public good” (e.g., mandated “green” standards, contributions for public art or affordable housing), or as an inadvertent consequence of some other policies (e.g., sales tax harmonization). By increasing the costs of building new housing, these government-imposed costs are often counter to the economic well being of consumers. They can also be harmful to the economy at large and the new housing industry since most of the charges do not apply to the price of existing homes, which now become more financially attractive to prospective buyers.

This article examines how government-imposed costs vary across the country by level of government for a cross-section of municipalities, based on a new CMHC-commissioned study.¹ This information is helpful by placing proposed new or enlarged cost obligations by government within the context of the charges already being imposed by all three levels of government.

We then utilize this information to provide a context for assessing the implications of the sales tax harmonization being proposed by the Province of Ontario for new housing, which is the topic of this month’s insert.

The Study’s Approach

The study’s methodology consists of the following steps:

- Deriving standardized new dwellings (single-detached, townhouse, and condominium apartment) and median prices for up to 32 municipalities;
- Selecting and estimating government-imposed costs at all three levels of government; and
- Calculating government-imposed costs as a percent of the median sales prices of standardized new homes by type.

Government-imposed costs include municipal levies, fees and charges, provincial charges and taxes and the federal GST (Goods and Services Tax). The estimates do not include increases in development costs that result from having to meet building and land development requirements such as building codes, zoning requirements and other regulations like “green” building and subdivision regulations.

All estimates are for the year 2006. Since 2006, there are instances of significant increases in costs (e.g., the City of Toronto’s land transfer tax and development charges in Mississauga and

¹ Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada*, a Research Report prepared for CMHC, January 2009.

HIGHLIGHTS

- The financial obligations imposed on new housing in relation to home prices by governments are highest in Ontario and B.C.
- The high municipal and federal costs in B.C. and Ontario more than offset the higher provincial costs in Quebec and Atlantic Canada resulting from the HST
- If the proposed HST in Ontario proceeds, Ontario will by far have the greatest financial burden on new homes priced \$400,000+
- Ontario’s proposed increase in the tax burden from 2% for homes priced at \$400,000 or less to 8% for homes \$500,000+ will be extremely negative for the new home market



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Vaughan) and there are proposals for sizeable increases in municipalities like the City of Calgary. On the other hand, the Federal GST tax rate was 6% in 2006 but subsequently was reduced to 5%.

A premise of the estimates is the reasonable supposition that the government-imposed costs are reflected in the sales prices of new homes.

We have selected a cross section of municipalities in major urban areas for analysis in this article. For the three largest centres, data are provided for both the central city and a large suburb. The focus is on single-detached houses.

Chart 1

Government-Imposed Costs by Level of Government as a Percent of Median-Priced New Single-Detached House, 2006

| Municipalities | Median Price | Municipal | Provincial | Federal | Total |
|-------------------------|--------------|-----------|------------|---------|-------|
| % of Median House Price | | | | | |
| Halifax | \$ 240,000 | 2.8 | 9.7 | 3.8 | 16.3 |
| Montreal (City) | \$ 355,000 | 2.5 | 9.2 | 3.8 | 15.6 |
| Laval | \$ 270,000 | 2.4 | 9.2 | 3.8 | 15.4 |
| Gatineau | \$ 185,000 | 2.3 | 6.5 | 3.8 | 12.6 |
| Ottawa | \$ 350,000 | 7.6 | 4.1 | 3.8 | 15.5 |
| Toronto (City) | \$ 755,000 | 4.2 | 3.3 | 6.0 | 13.4 |
| Mississauga | \$ 425,000 | 8.1 | 3.7 | 5.3 | 17.1 |
| Vaughan | \$ 465,000 | 8.6 | 3.4 | 6.0 | 17.9 |
| Winnipeg | \$ 240,000 | 2.9 | 4.0 | 3.8 | 10.7 |
| Regina | \$ 235,000 | 4.6 | 2.3 | 3.8 | 10.8 |
| Calgary | \$ 300,000 | 3.9 | 0.2 | 3.8 | 7.9 |
| Edmonton | \$ 270,000 | 7.3 | 0.2 | 3.8 | 11.3 |
| Vancouver (City) | \$ 715,000 | 2.3 | 3.1 | 6.0 | 11.4 |
| Surrey | \$ 500,000 | 7.7 | 3.6 | 6.0 | 17.4 |

Note: Median price is sales price less GST.

Source: Altus Group Economic Consulting based on Ray Tomalty and Andrejs Skaburskis, *Government-Imposed Charges on New Housing in Canada, Final Report, January 2009*

Wide Variation in Burden of Government-Imposed Costs

There is wide variation in government-imposed costs as a percentage of median new single-detached houses in 2006 across Canada, both by municipality and by level of government (see Chart 1).

The Aggregate Burden of Government-Imposed Costs is Highest in Suburban Toronto and Suburban Vancouver and Lowest in the Prairies

The relatively high government-imposed costs in suburban Toronto (17.1 to 17.9% of median price or \$72,794 to \$83,362) and suburban Vancouver (17.4% or \$86,896) are driven by sizeable municipal costs and the federal GST. These costs are relatively lower in the Prairies,

ranging from 7.9% in Calgary to 11.3% in Edmonton (which are both in Alberta which has no Provincial Sales Tax).

The Burden of Municipal Costs is Elevated in Ontario and B.C. with the Exception of the Two Large Central Cities

These large municipal costs are largely the product of provincially sanctioned Development Charges in Ontario and Development Cost Charges in B.C. These are intended to help pay for off-site infrastructure required by new housing development.

Here is what the study says about the rationale for these charges: "In theory, there is supposed to be a connection between the nature of the development being levied and the off-site services obtained, but this is often difficult to assess in practice" (p. 14).

Relative Municipal Costs are Lower in Two of the Three Largest Urban Centres Examined Than in the Suburbs

The estimated relative municipal cost burdens in the City of Vancouver and the City of Toronto are significantly less than in the suburbs examined (by 50% or more). In the Montreal area in contrast, the City of Montreal and Laval impose about the same burden.

There is a rationale for the quantum of costs levied on new residential development being considerably lower in the central city of a large urban centre than the suburbs. Much of the required infrastructure is already built in the central city, so that growth can be accommodated relatively inexpensively. Moreover, the existing infrastructure at one time accommodated a population much larger than the current popu-

lation. This contrasts with greenfield development in the suburbs that requires extension of trunk services, roads, transit and other growth-related infrastructure.

In 2006, Toronto and Vancouver fit this model but Montreal does not. There are signs this may be changing in these two areas. The City of Vancouver has nearly doubled its Development Cost Levies on new ground-related housing since 2006, the base year for the CMHC study. Under a by-law passed in February, the City of Toronto intends to increase its development charges on new single-detached and semi-detached homes over time from \$11,082 to \$21,044.

The Burden of Provincial Costs Highest in Atlantic Canada and Quebec

Provincial costs as percent of median price range from 9.2% to 9.7% in Halifax and in the Montreal area, in conspicuous contrast with Calgary and Edmonton's 0.2%. Both the Atlantic Provinces and Quebec tax the full sales price of new housing under their Harmonized Sales Taxes (HST). The Gatineau burden is much less because with the low median house price there, the standard house qualifies for a rebate, whereas the Montreal area houses do not.

The Federal Government Burden is Most Pronounced in Ontario and B.C.

These two provinces have the highest level of prices for new homes

and with the median prices in the CMHC commissioned study do not qualify for the federal GST rebate or for a partial rebate (Mississauga). In other parts of the country, median prices are low enough for the new house to qualify for the full GST rebate.

The federal government had promised to update the price thresholds for the GST rebate (full and partial) when it introduced the GST in 1991. If the federal government had followed through on its promise, and price movement from Statistics Canada's New Housing Price Index are applied, the current price thresholds would be:

- New homes eligible for full GST new home rebate: \$549,000 instead of the existing \$350,000; and
- New homes eligible for a partial rebate: between \$549,999 and \$705,000, instead of the existing \$350,000 to \$450,000.

What this means is that more and more new houses are subject to the full GST as new home prices rise with inflation, contrary to the federal promise. This amounts to thousands of dollars of taxes per home simply due to the static price thresholds.

Implications for Ontario Sales Tax Harmonization

Our analysis of the CMHC study provides some meaningful parameters for the Ontario Government to consider in the design of its Harmonized Sales Tax (HST) proposal as it relates to new ownership housing including:

- Any tax proposal on new housing must take into consideration the relatively high level of government-imposed costs now being imposed on new housing in the province by municipalities, the province and the federal government to minimize adverse economic consequences; and
- The relatively high level of new housing prices in Ontario, especially in the Toronto urban region, compared to many other parts of the country must also be taken into consideration in order to minimize adverse economic consequences.

Chart 1 documents that government-imposed costs in the Ontario municipalities examined already are amongst the highest in Canada without any increase in burden from an HST. This occurs for two reasons: (1) the very high municipal costs in Ontario and (2) the higher effective GST tax rate applied to many Ontario new homes. This contrasts with the situation in the Atlantic Provinces or Quebec where municipal costs and housing prices are relatively low, both now and in the mid 1990s when the HST was introduced.

Additional government-imposed charges under a HST will push Ontario into a category all by itself in terms of the quantum of the costs governments impose on new housing within its borders. The higher the taxes the larger the negative implications of the HST on the volume of new housing construction and the Ontario economy in terms of economic activity, jobs, and taxation revenues.

Sales Tax Harmonization and the Residential Renovation Sector in Ontario

Independent Real Estate Intelligence

November 2009



Sales Tax Harmonization and the Residential Renovation Sector in Ontario

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EXECUTIVE SUMMARY

The Ontario Home Builders' Association (OHBA) approached Altus Group Economic Consulting to provide an analysis of potential consequences of sales tax harmonization on Ontario's residential renovation sector, especially with respect to the risk of exacerbating the already problematic underground economy.

This analysis also assesses the costs and benefits of potential solutions.

The residential renovation sector accounts for some \$20.3 billion in investment activity in Ontario, accounting for some 4% of the provincial economy and supporting some 195,000 jobs in the province.

The proposed Single Sales Tax (SST) has a number of negative effects on the renovation sector, especially the important contractor renovation segment, which accounts for about 70% of all renovation investment in the province:

- The proposed SST will increase the annual tax burden on homeowners and rental housing investors in the province by some \$757 million annually and triple the sales tax rate on contractors' renovations in Ontario;
- As a result, the introduction of the SST will reduce the volume of renovation activity by contractors because of the higher costs for homeowners, resulting in lower economic activity and employment in the province;
- The proposed SST may shift more renovation and repair jobs from contractor assignments to do-it-yourself projects. The lower renovation activity and a shift to do-it-yourself work could have long-term negative consequences for the quality of the existing housing stock in Ontario;
- The proposed SST stands to negate on-going programs by governments to promote economic development and environmental objectives through targeted homeowners renovation assistance; and
- More importantly, the proposed SST is likely to shift more activity into the "underground economy" with implications on government tax revenue, renovation quality and homeowner liability.

A large share of housing investment in Ontario is already thought to be conducted outside the purview of the market economy and tax collectors.

The introduction of SST will unequivocally exacerbate this existing problem and also presents myriad problems, including losses in tax revenues and increased risks to consumers. The underground economy also distorts normal market functionality. Some of the problems associated with underground economy include:

- Significant government revenue leakages, such as:
 - Loss of up to \$298 million in GST revenue annually;
 - Loss of up to \$1.6 billion in income tax revenue annually;
 - Loss of up to \$767 million from other revenues such as CPP, WSIB, EHT and Employment Insurance premiums;
- Creating barriers for the industry's future development;
- Introducing risks to consumers (financial and liability);
- Introducing health and safety risks to construction workers; and
- Undermining the integrity of the tax system.

To minimize potential negative impacts of the proposed SST in Ontario, this report assesses the merits of two main policy concepts.

- One, the government could implement a new full rebate provision for contractor renovations, which would rebate 5.4% of the contract value directly to consumers on all qualifying contractor renovations; and
- Two, the government could implement a rebate provision for certain contractor renovations to be considered major renovations, which focus on capital investment rather than maintenance and repair.

This report considers both the costs and benefits of various rebate options. The benefits of a renovation rebate include minimizing additional tax burden on housing investment that SST promises to bring, and also importantly includes curtailing further shifts of renovation activity into the underground economy. In fact, a clever renovation rebate at this point could help to clean up what by some estimates is a massive existing underground economy problem in Ontario.

In general, this report finds that:

- The broader the array of renovation activity that is included in a potential SST renovation rebate, the more impact the rebate will have

on curtailing underground economy activity. Underground activity is concentrated on smaller projects, so a rebate focused on very large projects will provide some tax relief to homeowners and rental housing providers, but will have a more limited impact on the leakage of tax revenues due to the underground economy.

- A full renovation rebate provision (that provides all homeowners and rental housing providers undertaking renovation activity a rebate of some 5.4% of the contract value) would bring substantial benefits to Ontarians by eliminating any additional tax burden from the change to SST. Considering the effects such a program may have on attacking the existing problem of the underground economy, the ultimate costs to governments from such a rebate would likely be minimal.
- Alternative approaches include considering renovation rebates for major renovation projects, variously defined. Such rebates would also address, at least in part, Ontario's underground economy problems. In all cases, the costs to governments of implementing such a rebate will have long-lasting benefits, with minimal direct fiscal costs.

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1. INTRODUCTION

The Ontario Home Builders' Association (OHBA) approached Altus Group Economic Consulting to provide an analysis of potential consequences of sales tax harmonization on Ontario's residential renovation sector, especially with respect to the risk of exacerbating the already problematic underground economy.

This analysis also assesses the costs and benefits of potential solutions.

The residential renovation sector accounts for some \$20.3 billion in investment activity in Ontario, accounting for some 4% of the provincial economy and supporting some 195,000 jobs in the province.

In the 2009 Ontario Budget, the Government of Ontario introduced several tax reform measures including sales tax reform. The budget proposes to move Ontario's sales tax to a value added tax and harmonize it with the federal GST. The new harmonized tax would be known as the Single Sales Tax (SST). The SST is proposed to replace existing provincial sales tax, which are generally applied to the final price of goods, but not to services. With this recent announcement, this discussion comes at a critical time for Ontario's residential renovation sector.

This report examines the potential impacts of tax harmonization on the home renovation sector in Ontario, especially with respect to the problem of the underground economy. It also assesses the costs and benefits to several options for consideration as ways to mitigate the negative impacts of the new tax.

2. BACKGROUND

Ontario introduced the concept of tax harmonization in its 2009 provincial budget on March 26, 2009. According to the Canada Revenue Agency, a Harmonized Sales Tax (HST) is composed of the federal Goods and Services Tax (GST) and the provincial sales tax, and applies generally to the same base of goods and services that are taxable under GST. An HST follows the same general rules as GST.

Some details of the proposed SST and rebate structure include:

- The proposed SST takes effect on July 1, 2010, and amounts to a 13% tax on a broad array of goods and services, including all new homes sold in Ontario. The SST is to be composed of an 8% provincial portion and a 5% federal portion;
- On June 19th, 2009, the Ontario Ministry of Revenue released a technical bulletin setting out rules governing its proposed sales tax harmonization. These regulations included details of a new and enhanced housing rebate of some 6% of the value of a newly-built dwelling up to a maximum rebate of \$24,000;
- The 6% rebate was determined based on research by CMHC suggesting that the embedded Retail Sales Tax (RST) in new housing is approximately 2% (based on 8% RST applied to the building materials used);
- In the June Ministry of Revenue technical bulletin, the Ontario government also extended the rebate to rental housing. In the case of rental accommodation (purpose-built rental or other newly-built dwellings purchased for the purposes of rental) the same rebate rules apply based on the price or value of the rental dwelling;
- There is no proposed rebate for housing investment that takes the form of residential renovations; and
- Ontario's proposed SST treats dwellings having undergone a "substantial renovation" in the same manner as the GST¹. As with the federal GST New Housing Rebate, Ontario's proposed new housing rebate considers homes that are substantially renovated to be new homes for the purposes of SST and eligibility for the SST rebate; and
The owner of a residential structure that has been substantially renovated is eligible for the GST/HST New Housing Rebate, as though it were a newly constructed residential complex. The Canada Revenue Agency interprets the requirement of "all or substantially all" in the definition as meaning 90% or more. Accordingly, in order to be eligible for the GST rebate, "at least 90% of the building that existed before the renovation began must be renovated to some minimum degree".

This type of renovation work is rare. In 2002 Canada Revenue Agency Reports that dwellings that were approved for a GST New Housing Rebate that did so through the substantial renovations clause,

accounted for only 1.7% of all approved rebates. Substantial renovations only account for a marginal part of the renovation sector in Ontario. **Therefore, this aspect of the GST New Housing Rebate effectively provides little tax relief to homeowners.**

- The underground economy in the construction sector is already a major threat to the health of sector. The size of the underground economy in Ontario's contractor renovation sector is estimated to be in the neighbourhood of \$5.2 billion annually, accounting for some 37% of the total output of the sector. The underground economy costs governments billions in lost revenues, ranging from sales and income tax leakages to other lost revenue sources; and
- Previous experience with the introduction of the GST nationally and the HST in Atlantic Canada suggests that tax increases generally push more economic activity into the underground economy.

3. THE UNDERGROUND ECONOMY IS ALREADY A MAJOR PROBLEM IN ONTARIO'S RENOVATION SECTOR

The underground economy represents a sizable share of the overall GDP. In a 1994 study, Statistics Canada concluded that underground production accounts for some 4.2% of total GDP. This share varies widely among different sectors of the economy, and is highest for the residential renovation sector.

Detailed estimates by the Ontario Construction Secretariat (OCS) provide an even more comprehensive picture of the impact of the underground economy in Ontario's construction sector. In 2008, the OCS concludes that underground economy accounts for some 37% of the total output of residential renovation contractors in the province.ⁱⁱ

Based on this estimate, the size of the underground economy in Ontario's residential contractor renovation sector is about \$5.2 billion.

Given that new taxes tend to increase the size of the underground economy, and that the underground economy is already a major problem in Ontario, there are significant concerns that the proposed SST will exacerbate an already major problem in Ontario.

4. IMPACT OF SST ON THE RENOVATION SECTOR IN ONTARIO

Taken as a whole the proposed tax reform measures (including the introduction of SST, the business tax and corporate income tax relief and tax cuts to the personal income tax) are said to be “revenue neutral” (i.e., raise generally the same amount of provincial tax as their predecessors).

The government acknowledges, however, that behind this neutrality, the reforms mean that some people will pay more tax and others less. Generally, this “rebalancing” supports creating a more efficient overall tax system.

Unfortunately, the tax reform measures are unequivocally not revenue neutral in the important area of housing investment. The proposed SST of some 13% (8% provincial and 5% federal) would apply to the final price all new homes and renovations.

4.1 TAX HARMONIZATION SIGNIFICANTLY INCREASES THE TAX BURDEN ON HOMEOWNERS AND RENTAL HOUSING INVESTORS

At present, only the federal GST is charged to purchases of new homes and renovations (with partial rebates in certain circumstances). There is a provincial retail sales tax (RST) component for both. The RST is charged on the building materials used in new home construction and renovation, and thus a certain amount of RST is imbedded into the final price of a new home, or contract value for a renovation project. However, the labour cost and overhead components of the home renovation are not taxed under the current RST in Ontario.

Figure 1 shows the potential sales tax revenues from the proposed SST in Ontario, based on the total household renovation spending in 2008, and assuming it is all captured:

- In 2008, total household investment in home repairs and renovations reached just over \$20 billion in Ontario. Of the \$20 billion, approximately \$14 billion (about 69%) is spent through contractor renovations (i.e. repairs and renovations done through a contractor). The remaining (about 31%) is accounted for by the “do-it-yourself”

(DIY) sector (i.e. repairs and renovations done by homeowners themselves with materials purchased, generally, from retail stores);

- Investment in residential renovation through contractors can be further divided into the labour/overhead component and the materials component. On average, the labour/overhead component accounts for about two-thirds of total repair and renovation investment through renovation contractors, according to Statistics Canada. The cost of materials accounts for the rest;

Figure 1

Potential Provincial Government Revenues¹ Under the Proposed SST in Ontario

| | Total | Contracts | | Do-It-Yourself |
|----------------------|--------|-----------|----------|----------------|
| | | Labour | Material | |
| \$Millions | | | | |
| Renovation Spending | 20,340 | 9,465 | 4,626 | 6,250 |
| % | | | | |
| Provincial Sales Tax | 8.0 | 8.0 | 8.0 | 8.0 |
| \$Millions | | | | |
| Provincial Sales Tax | 1,627 | 757 | 370 | 500 |

¹ Based on the data of Household Spending on Home Repair and Renovation in 2008

Source: Altus Group Economic Consulting based on data from Statistics Canada

- Currently, Ontario's provincial sales tax applies only to goods and certain services. Home repair and renovation services are not considered taxable services for the purposes of provincial sales tax. Contractors pay provincial sales taxes on building materials used to renovate their clients' homes, which are passed on to their clients in the final price of the contract;
- Although these passed-on sales taxes are generally not itemized, based on the proportions of materials in contracts, provincial sales taxes ultimately account for some 2.6% of the final contract price for homeowners in Ontario (less than the full 8% PST); and
- The proposed SST will eventually increase the effective tax rate on contractor renovations to 8% on all contractor renovations in the province conducted legally outside of the underground economy.

The 8.0% Ontario provincial sales tax will be newly applied to the contractor's labour and overhead costs, which was approximately \$9.5 billion

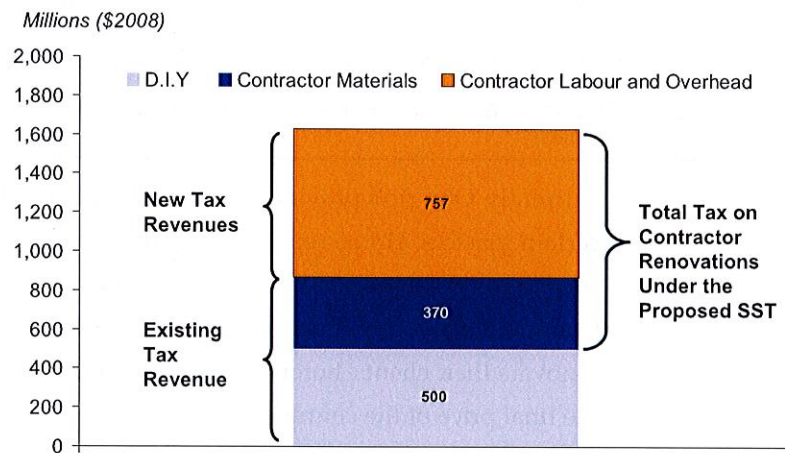
in 2008 (Figure 1). This potentially will increase the tax burden on homeowners and rental housing providers by some \$757 million (Figure 2). However, in reality, a large share of contractor renovations would likely shift into the underground economy. The provincial government would never realize the full \$757 million in revenue.

The provincial portion of the sales tax on the total value of contractor renovations will rise from the existing \$370 million to \$1.1 billion – a three-fold increase (Figure 2). In terms of tax rates, the proposed SST will have the following rate implications for renovations:

- For homeowners doing their own work, an 8% tax rate – no change; and
- For contractor renovations – a rise from the existing effective PST tax rate of about 2.6% to 8% on the total value of contractor renovations.

Figure 2

Potential Provincial Government Revenues¹ Under the Proposed SST in Ontario



¹ Based on the data of Household Spending on Home Repair and Renovation in 2008
 Source: Altus Group Economic Consulting based on data from Statistics Canada

4.2 TAX HARMONIZATION IS LIKELY TO CURTAIL RENOVATION ACTIVITIES

Residential renovation activity is an important component of residential investment in Canada and any tax measure that either unduly discourage such activity or push it into the underground economy will ultimately have

deleterious effects on the quality and functionality of the existing housing stock.

The proposed SST in Ontario triples the sales tax rate on contractors' renovations in the province. This will have profoundly adverse consequences on the way renovation activity is performed and ultimately on the amount of tax revenue collected (from the SST and income taxes) and on other sources of government income related to the renovation sector.

The proposed SST and increased taxation on contractor renovations will have three serious impacts on the size and quality of renovation activity in Ontario:

- First, the introduction of the SST will reduce the total volume of renovation activity by contractors because of the higher costs for homeowners, resulting in lower economic activity and employment in the province;
- Second, the proposed SST may shift more renovation and repair jobs from contractor assignments to do-it-yourself projects, often undertaken by well meaning but inadequately-skilled homeowners. The lower renovation activity and a shift to do-it-yourself work could have longer-term negative consequences for the quality of the existing housing stock in Ontario; and
- Third, the proposed SST could entirely wipe out government efforts aimed at promoting home energy efficiency. Various levels of government in Canada have established a number of targeted programs that promote residential renovations, especially for improving the energy efficiency of the existing housing stock. For example, the Government of Ontario offers the Home Energy Retrofit Program to promote home renovation and energy efficiency upgrades. However, the proposed increase in sales tax due to the introduction of the SST, could entirely wipe out those government efforts aimed at promoting home energy efficiency.

In the 2009 budget, the Government of Canada announced a temporary tax rebate program for homeowners, the Home Renovation Tax Credit (HRTC). The HRTC is designed to create a one-time incentive for Canadians to undertake new renovation projects or accelerate planned future projects, thus

stimulating the Canadian economy. In total, the program provides about \$3 billion tax credit to Canadian homeowners.

To an extent, the HRTC has helped the Canadian residential renovation sector to better navigate the current economic recession - while new housing investment is down significantly year-over-year, renovations activities in Canada have been relatively stable.

The positive impact that this modest tax credit program has had on the volume of renovation activity, during a severe recession no less, is illustrative of exactly how sensitive consumer behaviour can be to changes in taxation.

4.3 TAX HARMONIZATION PUSHES A GREATER PROPORTION OF THE RESIDENTIAL RENOVATION SECTOR INTO THE UNDERGROUND ECONOMY

A large share of housing investment through contractors in Canada is thought to be conducted outside the purview of the market economy and tax collectors. It is common for contractors who operate in this underground economy to provide a lower quote for work where the payment is made in cash.

These cash transactions are not reported to tax authorities for the purpose of either calculating income taxes or for the collection and remittance of sales taxes. Contractors operating in the underground economy may also avoid other regulatory costs such as workers compensation premiums, insurance premiums, building permit fees, etc.

The Ontario Construction Secretariatⁱⁱⁱ estimates that underground activity accounts for some 37% of the total output of the residential contractor renovation sector in Ontario, a substantial share of the overall economic activity.

Studies on the effect of higher taxes on underground activities primarily conclude that higher taxes are higher likely to encourage underground economy activity:

- A 1998 study^{iv} on the underground economy in Ontario's construction industry identified the introduction of the federal GST in 1991, as a principal driver of a significant increase in underground activity in construction in Ontario during the 1990s. The study estimated that

the size of the underground economy across the construction sector may have doubled over the period 1990 to 1998; and

- A 1997 study^v from the Nova Scotia Department of Finance concluded that the introduction of the GST caused an increase in underground activity, and warned that the increased price of residential construction and renovation due to the harmonization of sales taxes would probably intensify underground activity, especially for contract renovations.

Based on this experience, the addition of a provincial tax of 8% on contractor renovations in Ontario will most certainly drive more activity underground with a consequent loss of existing income and sales tax revenues for federal and provincial governments.

Results from the recent survey^{vi} of members of the Canadian Federation of Independent Business (CFIB) confirm this. Some 44% of the survey respondents believe that the new SST will encourage growth in the underground economy in their business sectors.

5. IMPLICATIONS OF A LARGER UNDERGROUND ECONOMY ARE DIRE

The underground economy in the construction sector presents myriad problems, not only from losses in tax revenues and increased risks to consumers, but it also distorts normal market functionality. The underground economy causes an unlevel playing field.

Some of the problems associated with underground economy include:

- Causing losses of tax revenues;
- Creating barriers for the industry's future development;
- Introducing risks to consumers;
- Introducing health and safety risks to construction workers; and
- Undermining the integrity of the tax system.

5.1 UNDERGROUND ECONOMY CAUSES SERIOUS REVENUE “LEAKAGES” FOR THE GOVERNMENT

The underground economy operates without the government’s monitoring - business transactions and workers’ incomes are generally unreported to the government. As a result, the underground economy causes serious revenue leakages of sales and income taxes and of other potential government revenues. Examples of tax and revenue leakage include:

- Loss of GST revenue: The federal government lost an estimated \$225 million to \$298 million annually in GST revenues because of the underground economy for repair and renovation construction in the province of Ontario during the 2003-2005 period;^{vii}
- Loss of corporate and personal income tax revenues: The underground economy in Ontario accounted for a loss ranging from \$871 million to \$1.6 billion annually to the federal and provincial governments in lost income tax revenue related to contractors and their workers in the construction sector.^{viii};
- Loss of other government revenues: The government also loses revenues from other sources to the underground economy, including Canadian Pension Plan (CPP) contributions, Employment Insurance premiums, Workplace Safety & Insurance Board (WSIB) premiums and Employer Health Tax (EHT) remittances. Governments lose an estimated \$527 million to \$767 million annually from these revenue sources;^{ix} and
- Loss of revenue for municipalities: The underground economy in construction also causes revenue losses to municipalities for items such as building permits, municipal licensing revenues, etc.

5.2 THE UNDERGROUND ECONOMY CREATES BARRIERS FOR THE INDUSTRY’S FUTURE DEVELOPMENT

Underground activities provide unfair advantages to a few market participants and discourage normal business activities that are vital for the future development of the industry:

- This “unlevel playing field” depresses legitimate construction companies’ business margins and reduces profitability of those companies. As a result, legitimate construction companies have less

capacity and willingness to invest in employee training and new technologies, which are essential for future productivity growth in the sector. Underground operators are simply not playing fair;

- It is generally accepted that due to demographic conditions in Ontario, the construction sector will face emerging labour shortages in the coming decades. One of the main solutions to combat this problem is to promote productivity growth. Underground activities can hurt the industry's future development by jeopardizing apprenticeship and training programs and ultimately dampening productivity growth;
- Underground activities increase tax and contribution burdens on legitimate contractors and workers. For example, in the case of the Workplace Safety Insurance Board in Ontario, contributions from the construction industry to the system have increased significantly in recent years;^x
- Underground practices also potentially weaken health and safety standards and programs, undermine labour standards and erode construction standards;^{xi} and
- Underground activities reduce the contribution base for worker benefit plans and weaken apprenticeship training.^{xii}

5.3 THE UNDERGROUND ECONOMY INTRODUCES RISKS TO CONSUMERS

A "cash deal" between a renovator and a homeowner is generally not governed by a written contract. This type of business arrangement involves significant risks for consumers, including:

- There may end up being disputes between the renovator and the homeowner with respect to the agreed upon work and the amount to be paid. The homeowner will have considerable difficulty protecting his/her interests in these circumstances;
- If there is damage to the house during the renovation, it may not be adequately covered by an insurance policy. Contractors who operate properly are likely to have business insurance that covers their liability in the case of property damage. Contractors who conduct underground activities generally would not have such insurance and

the homeowner might face higher uninsured liabilities in the event of property damage (to his or a neighbour's property) related to the renovation activity;

- There is a risk that the finished renovation work might not comply with local building code. Most major residential renovations require municipal and/or utility building permits and must pass required inspections. Professional contractors ensure that all required permits are in place. In most cases, underground contractors will skip this paperwork and the finished renovation work might be in violation to the local building code. In extreme cases, the municipality could force the work to be torn down at the homeowner's cost;^{xiii} and
- In the event of a workplace injury, the homeowner could be held responsible for medical and rehabilitation costs. In addition, the homeowners might have to pay extra fines:

In Ontario, homeowners who function as their own general contractors and hire workers can be classified as "constructors" under provincial labour law. In these circumstances, unsafe workplace conditions can leave them open to fines under Ontario's Occupational Health and Safety Act. For example, in 2003 a homeowner in North York was fined \$20,000 after a worker died while working on his home.^{xiv}

5.4 THE UNDERGROUND ECONOMY INTRODUCES HEALTH AND SAFETY RISKS TO CONSTRUCTION WORKERS

Not only can the underground economy introduce risks to homeowners, but it can also introduce health and safety risks to construction workers. Some of those risks include:

- When a contraction worker (either contractor himself or a worker hired by a contractor) works in the underground economy, he is likely not covered by the WSIB. If an accident occurs and the worker becomes disabled, there will not be adequate compensation to the worker;
- Workers employed in "underground" renovation projects may not be properly equipped to complete their tasks. This will add to the safety risks to those workers; and

- Contractors, who operate in the underground economy, in general, have no official health and safety standard. They might ask their workers to handle toxic materials without the proper protection and procedure, causing health risks to construction workers.

5.5 THE UNDERGROUND ECONOMY POTENTIALLY COULD UNDERMINE THE INTEGRITY OF THE TAX SYSTEM

When underground practices are widespread in the economy, market participants could perceive the tax system as unfair, attitudes toward the system would deteriorate and support for the public sector erodes.^{xv}

The problem could also be contagious – as the underground economy grows, the practice could be seen as more acceptable and as a result, more market participants (both contractors and homeowners) would likely conduct “cash deals” because “everyone else” is doing it.

6. OPTIONS FOR MITIGATING IMPACTS

To minimize potential negative impacts of the proposed SST in Ontario, this report assesses the merits of two main policy concepts.

- 1) **First**, the government could implement a new full rebate for contractor renovations, which would rebate 5.4% of the contract value on all qualifying contractor renovations directly to the consumer:
 - The 5.4% is calculated as the difference between the 8% provincial portion of the SST and the 2.6% estimated currently imbedded in the contractor renovations;
 - Only contractor renovations qualify for this rebate as this is the market segment being incrementally hit by the proposed SST;
 - Rebates could be offered at point of sale (essentially a lower tax rate for contractor renovations) or it could be offered as a refundable tax credit on the homeowner’s income tax return; and
 - Offering sales tax rebates as a refundable tax credit on the homeowner’s income tax return could provide additional benefits in terms of combating the growing problem of the underground economy in the construction sector. Such a rebate would provide an extra incentive for homeowners to properly document and report their contractor renovation projects. This creates a paper trail that

would allow the government to audit business and cross reference with other agencies such as Canadian Revenue Agency (CRA) for income taxes, WSIB, CPP, etc.

- 2) **Second**, the government could implement a rebate for certain contractor renovations to be considered major renovations and clearly focus on capital investment rather than maintenance and repair. These options could take two forms:
- A “major renovation” could be defined in terms of the total value of contract(s) related to a single renovation project (or a series of projects conducted within a single year). This definition, for example could consider:
 - **All contracts over \$5,000:** \$5000 is approximately the average amount spent by Ontarian homeowners on renovation and repair on an annual basis, according to Statistics Canada. This definition would focus the rebate on renovations that were above-average in value;
 - **All contracts over \$20,000:** Generally, \$20,000 is a typical level of spending for a medium-grade complete overhaul of a kitchen – a renovation considered by most Ontarians as a major renovation^{xvi}; or
 - **All contracts over \$50,000:** Under Ontario’s Occupational Health and Safety Act, any construction project with a total expected cost of more than \$50,000 is required to be registered with the Ontario Ministry of Labour before construction begins. As this threshold already exists in Ontario as an administrative requirement, it could easily apply to a potential rebate provision.
 - A major renovation could also be defined in terms of the **physical activity** involved:
 - The federal government considers dwellings that are substantially renovated (i.e. 90% or more of the home is new) as new homes for the GST calculation and those dwellings are eligible for the GST New Housing Rebate. The definition (see endnotes) is based on a physical definition of the quantum of remodelling within a dwelling;

- An option for implementing a provincial SST rebate for major renovations could follow a similar approach, but to create a physical definition under a broader set of conditions:
 - For example, a major renovation could be defined as one or more rooms undergoing a complete renovation; or
 - It could be defined as any project involving a complete remodelling of a kitchen or a bathroom. Both projects considered “major” by most homeowners in Ontario.

7. ROLE OF THE FEDERAL AND ONTARIO GOVERNMENTS

The government of Ontario has opted for a program of tax reforms that include sales tax harmonization. Ultimately, policy makers behind this decision believe that this tax reform will be of benefit to economic development and the well being of Ontarians.

The evidence presented in this report, is that aspects of the proposed reforms will cause negative economic and financial effects within the residential renovation sector.

It is important for the provincial government, in undertaking such reforms, to take responsibility for the well being of its own people and economy and to address as adequately as possible negative effects from policy proposals.

In this vein, it is very important for the province of Ontario to take seriously the evidence presented in this analysis about the effects on the important residential renovation sector and to consider potential measures that could mitigate these effects.

While Ontario needs to take care of the impacts from its own policies, it can also look to the federal government for guidance and partnership on these policy matters.

The federal government takes seriously the importance of the residential renovation sector and supports this sector through recent programs such as the Home Renovation Tax Credit, and many assistance programs aimed at renovation, reuse and retrofit run through CMHC.

The federal government provides a partial rebate of GST on new ownership housing through a program first introduced with the initiation of the GST.

The GST New Housing Rebate has since been extended to rental housing and residential care facilities.

It would be encouraging to see the federal government also consider a GST rebate for residential renovations that would restore some of the tax neutrality that was eroded upon the introduction of the GST in 1991. While the residential renovation sector, nationally, received a substantial benefit from the reduction in the GST rate from 7% to 6% and ultimately to 5% in recent years, it would still be beneficial to see a targeted rebate program for GST in residential renovations implemented that would provide the additional benefit of attacking the problem of the existing underground economy.

With the proposed tax harmonisations in both Ontario and B.C., now is a very opportune time for federal policy makers to be giving serious consideration to a new rebate provision for residential contractor renovations that could be “harmonized” with the provinces of Ontario and B.C.

8. COSTS AND IMPACTS OF THE OPTIONS

8.1 A MAJORITY OF RESIDENTIAL RENOVATIONS ARE RELATIVELY SMALL PROJECTS

In 2008, total household investment in home repairs and renovations reached just over \$20 billion in Ontario, with approximately \$14 billion in contractor renovations and some \$6 billion in the DIY sector (Figure 1).

The existing provincial sales tax from total renovations was about \$870 million in 2008 - some \$370 million was from contractor renovations and the remaining \$500 million stemming from the DIY sector (Figure 1).

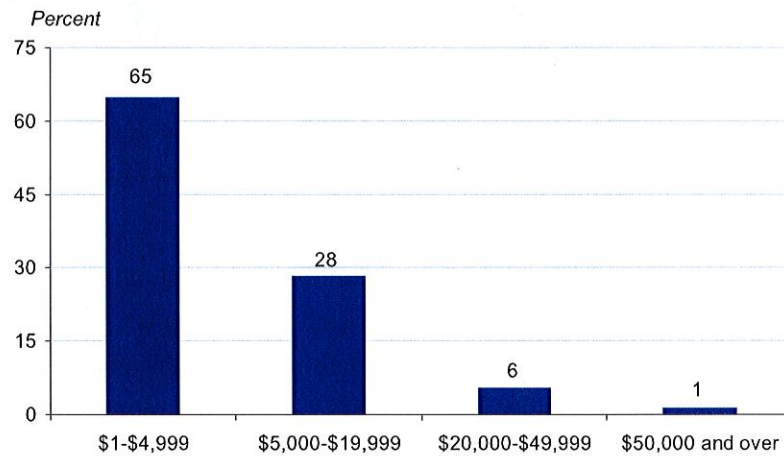
Under the proposed SST, the potential provincial sales tax from all renovation activity would be over \$1.6 billion, assuming all contracts are captured by the tax authorities, due to new taxes collected from the contractor renovation sector (Figure 2). However, the potential for “revenue leakage” is significant as the underground economy is likely to capture an increased share of the residential renovation sector.

Based on data from Statistics Canada's Survey of Household Spending, this report estimates the distribution of the renovation sector by value of renovation project¹:

- A majority of residential renovation projects are small in size – about 65% of residential renovation projects is under \$5,000 and a further 28% is between \$5,000 and \$20,000 (Figure 3). Renovation projects that cost over \$20,000 represent some 7% of the total number of residential renovation projects in Ontario;

Figure 3

Distribution of Households by Total Annual Value of Renovation Investment, Ontario

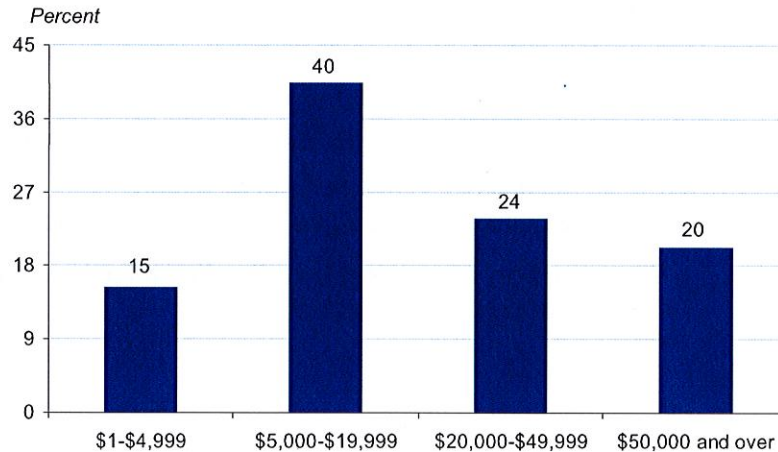


Source: Altus Group Economic Consulting based on data from Statistics Canada

¹ For the purposes of this analysis, and given the limitations of the data source, a project is considered total renovation and repair spending by one household in a single year. The analysis is based on spending in 2007

Figure 4

Distribution of Renovation Projects by Total Value of Project Cost, Ontario

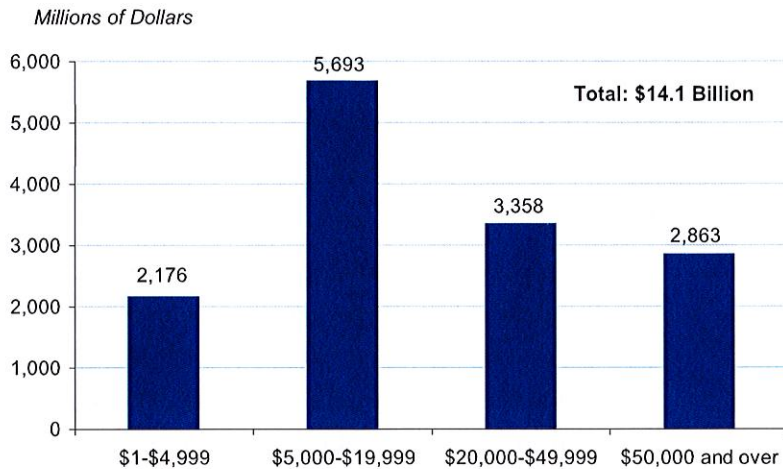


Source: Altus Group Economic Consulting based on data from Statistics Canada

- Although the largest number of households is in the small project category, the largest tranche of activity is found in the medium project range. Based on the total annual value of renovation spending, the \$5,000-\$19,999 category represents the largest market segment, followed by the \$20,000-\$49,999 category (Figure 4);
- The \$1-\$4,999 category has the smallest market share in terms of total renovation value. Although those small renovation projects account for the activity of a large number of households, their average value is low compared to medium and large projects;
- Assuming the contractor renovation subsector has a similar distribution by total project value, this report estimates the distribution of total contractor renovation spending by value range (Figure 5);
- In total, about \$5.7 billion of the total contractor renovations in Ontario is spent on projects valued between \$5,000 and \$19,999, followed by the \$20,000-\$49,999 category with some \$3.4 billion; and

Figure 5

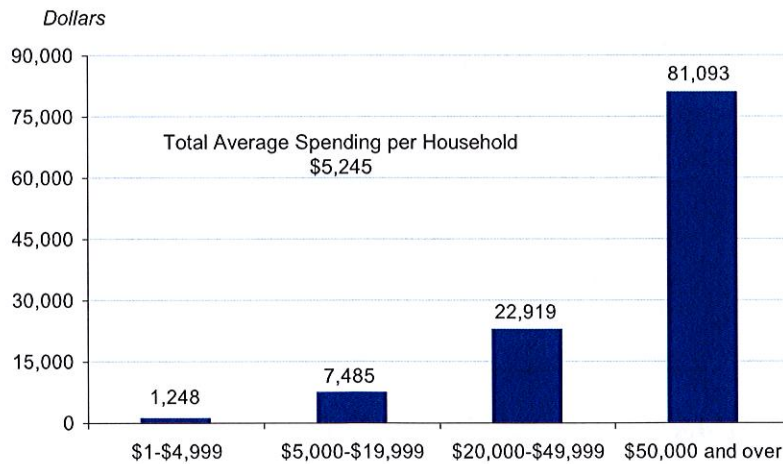
Total Contractor Renovation Investment By Value Range, Ontario, 2008



Source: Altus Group Economic Consulting based on data from Statistics Canada

Figure 6

Average Contractor Renovation Investment Per Household By Value Range, Ontario, 2008



Source: Altus Group Economic Consulting based on data from Statistics Canada

- Figure 6 presents the average contractor renovation spending per household. On average, a typical household in Ontario spends some \$5,245 per year on contractor renovations. Households in the \$1-\$4,999 category, on average, spend about \$1,250 on contractor renovations.

Based on the total contractor renovation projects distribution by value, the distribution of provincial tax by renovation spending range can be estimated (Figure 7):

- Under the current provincial sales tax system, \$150 million of the total provincial sales tax revenues from contractor renovations is collected from projects valued between \$5,000 and \$19,999 and \$88 million is from collected from the \$20,000-\$49,999 category. Renovation projects valued less than \$5,000 contributes the least to the provincial finance; and
- Under the proposed SST, the provincial sales taxes collected from the \$5,000-\$19,999 category more than triples to \$455 million. Other categories experienced a similar increase in tax burden.

Figure 7

Distribution of Potential* Provincial Sales Tax By Renovation Value Range

| Size of Contractor Renovation Project by Value Range | Total Contractor Renovation | Existing Provincial Tax | Additional Taxes Due to SST | Total Tax After SST |
|--|-----------------------------|-------------------------|-----------------------------|---------------------|
| | <i>\$Millions</i> | | | |
| \$1-\$4,999 | 2,176 | 57 | 117 | 174 |
| \$5,000-\$19,999 | 5,693 | 150 | 306 | 455 |
| \$20,000-\$49,999 | 3,358 | 88 | 180 | 269 |
| \$50,000 and over | 2,863 | 75 | 154 | 229 |
| Total | 14,090 | 370 | 757 | 1,127 |

* Total potential tax revenue BEFORE underground economy leakages

Source: Altus Group Economic Consulting estimates based on data from Statistics Canada

8.2 ESTIMATED UNDERGROUND ECONOMY IN THE CONTRACTOR RENOVATION SECTOR BY RENOVATION PROJECT VALUE

Evidence suggests that the size of the underground economy varies by the cost of the renovation projects.

The CHBA Pulse Survey finds that “cash deal” arrangements (which is a typical indicator for underground activities) were believed to be the most

common for small renovation jobs and were thought to be less common for medium to large renovation.

Based on detailed data from those questions on the Pulse Survey, in combination with estimate of the size of the total underground economy from Chapter 3, this report estimates that underground practices in Ontario may account for:

- 65% of total business transactions for renovation projects valued between \$1 and \$4,999 (Figure 8);
- 53% of total business transactions for renovation projects valued between \$5,000 and \$19,999;
- 20% of total business transactions for renovation projects valued between \$20,000 and \$49,999; and
- Up to 5% of total business transactions for renovation projects valued over \$50,000.

Figure 8

Potential Size of the Underground Economy in the Contractor Renovation Sector, 2008

| Size of Contractor Renovation Project by Value Range | Total Contractor Renovation Activity \$Millions | Estimated Share of Underground Economy % | Estimated Size of Underground Economy \$Millions |
|--|--|---|---|
| \$1-\$4,999 | 2,176 | 65 | 1,414 |
| \$5,000-\$19,999 | 5,693 | 53 | 3,006 |
| \$20,000-\$49,999 | 3,358 | 20 | 672 |
| \$50,000 and over | 2,863 | 5 | 143 |
| Total | 14,090 | 37 | 5,235 |

Source: Altus Group Economic Consulting estimates, based on data from Statistics Canada, the Ontario Construction Secretariat, and the CHBA Pulse Survey

With the introduction of the new SST, the share of underground economy in the construction sector is highly likely to go up as evidenced by past experience of the GST nationally and the HST in Atlantic Canada.

Figure 9 shows the estimated growth in the underground economy assuming modest rises in share under the SST:

- The share of underground activity would likely increase by 10 percentage points for projected valued below \$20,000;
- 5 percentage points for projects valued between \$20,000 and \$49,999;
- 1 percentage point for projects valued over \$50,000;

Figure 9

| Potential Size of the Underground Economy in the Contractor Renovation Sector <u>After SST</u> | | | |
|---|-----------------------------|--|---------------------------------------|
| Size of Contractor Renovation Project by Value Range | Total Contractor Renovation | Estimated Share of Underground Economy | Estimated Size of Underground Economy |
| | <i>\$Millions</i> | % | <i>\$Millions</i> |
| \$1-\$4,999 | 2,176 | 75 | 1,632 |
| \$5,000-\$19,999 | 5,693 | 63 | 3,575 |
| \$20,000-\$49,999 | 3,358 | 25 | 840 |
| \$50,000 and over | 2,863 | 6 | 172 |
| Total | 14,090 | 44 | 6,219 |

Source: Altus Group Economic Consulting

- As a result, the overall share of the underground economy as a percent of the sector could increase to 44%, accounting for some \$6.2 billion in activity; and
- This means an additional \$1 billion of previously legitimate business would be conducted under the table due to the new SST.

8.3 FISCAL IMPACTS OF THE VARIOUS REBATE OPTIONS

To mitigate the new tax burden to consumers caused by the proposed SST on contractor renovations, this report assesses several tax rebate options.

Consider first the “cost” to government of each option:

- **Option One** (Figure 10): The cost to government of an across the board rebate for residential renovations equivalent to the incremental tax burden of SST over the existing system is fairly straight forward. Under this option, the government will provide a 5.4% (equivalent to the difference between 8% SST and 2.6% existing embedded PST) rebate to all contractor renovations. From the government’s perspective, the cost of such a rebate provision would be foregoing the additional tax revenue under the proposed SST. In the event that all contractor renovation activity is in fact captured by the tax authorities, this cost could be up to \$757 million.

In reality, the provincial government would never realize the full \$757 million in revenue, as at least 37% of it would likely “leak” into the underground economy. **Therefore, the actual direct fiscal impact on the provincial treasury of implementing a full sales tax rebate for contractor renovations would be considerably lower;**

Figure 10

**Fiscal Impact of Rebate Options to the Ontario Government:
Option One**

| Contractor Renovation Project by Value | Total Contractor Renovation \$Millions | Tax Rebate Rate % | Tax Rebate Under SST \$Millions |
|---|---|----------------------|------------------------------------|
| \$1-\$4,999 | 2,176 | 5.4 | 117 |
| \$5,000-\$19,999 | 5,693 | 5.4 | 306 |
| \$20,000-\$49,999 | 3,358 | 5.4 | 180 |
| \$50,000 and over | 2,863 | 5.4 | 154 |
| Total | 14,090 | 5.4 | 757 |

Source: Altus Group Economic Consulting estimates based on data from Statistics Canada

- **Option Two** (Figure 11): The cost of the Option Two rebate, to provide a rebate for “major renovations”, is contingent on the various potential definitions for the term “major renovation”:
 - If all contracts **over \$5,000** are considered major renovations: It would cost the provincial government the most under this definition, up to \$640 million per year;
 - If all contracts **over \$20,000** are considered major renovations: This option would cost the provincial government up to some \$334 million per year; and
 - If all contracts **over \$50,000** are considered major renovations: This tax rebate would cost the provincial government up to about \$154 million per year;
- If major renovation projects are defined using **physical activity** criteria, the costs to government (and ultimately the effectiveness of the rebates) will depend on how inclusive those definitions are.
 - A highly restrictive definition, similar to the substantial renovation exemption included in the New Housing Rebate, would have very little impact on the renovation sector, as we know only a small minority of renovation projects tend to qualify for the GST New Housing Rebate.
 - If the definition were to be broadened to include, for example, two or more completely renovated rooms, or, potentially, any major renovation project that involves the complete remodelling of a kitchen or bathroom, then the magnitude of the impacts may

be similar to the analysis presented for all projects valued at \$20,000 and up.

Figure 11

Fiscal Impacts of Rebate Options to the Ontario Government: Option Two

| Size of Contractor Renovation Project by Value Range | Total Contractor Renovation Activity \$Millions | Tax Rebate | | | | | |
|--|--|---------------------------|------------|----------------------------|------------|----------------------------|------------|
| | | Under Definition \$5,000+ | | Under Definition \$20,000+ | | Under Definition \$50,000+ | |
| | | Rate | Tax Rebate | Rate | Tax Rebate | Rate | Tax Rebate |
| | | % | \$Millions | % | \$Millions | % | \$Millions |
| \$1-\$4,999 | 2,176 | - | - | - | - | - | - |
| \$5,000-\$19,999 | 5,693 | 5.4 | 306 | - | - | - | - |
| \$20,000-\$49,999 | 3,358 | 5.4 | 180 | 5.4 | 180 | - | - |
| \$50,000 and over | 2,863 | 5.4 | 154 | 5.4 | 154 | 5.4 | 154 |
| Total | 14,090 | 5.4 | 640 | 5.4 | 334 | 5.4 | 154 |

Source: Altus Group Economic Consulting estimates based on data from Statistics Canada

8.4 A RENOVATION TAX REBATE WOULD CURB TAX LEAKAGES

A tax rebate for renovations, especially if it works through a refundable tax credit on the homeowner's income tax return, could discourage the underground practice in the sector because homeowners have more incentives to register their home renovation projects and obtain written contracts. This would affect all renovation projects in the province.

Currently, the federal and provincial governments lose close to \$1.2 billion on sales and income tax, and other revenues each year due to the underground economy in the residential contractor renovation sector.^{xvii} The proposed tax rebate would potentially reduce those current sale and income tax leakages to the underground economy and help the federal and provincial governments regain some of those lost tax revenues.

Although the proposed tax rebate would curb underground activities in the contractor renovation sector, it is unrealistic to believe it would completely wipe out the practice. This report conservatively assumes that up to half of the current underground activities in the sector could be eliminated with the introduction of an across the board renovation SST tax credit rebate.

The cost and benefit analysis reveals that:

- **Option One:** Because this option affects all contractor renovations in Ontario, it could prevent approximately \$700 million in tax leakages annually for the federal and Ontario governments.^{xviii} This almost entirely offsets the initial fiscal impact;^{xix}

- **Option Two:** The amount of tax leakage that would potentially be prevented under this option varies depending on the definition of “major renovations” (Figure 12):

Figure 12 **Benefits of Various Rebate Programs to the Ontario Government, Option Two**

| Size of Contractor Renovation Project by Value Range | Total Contractor Renovation \$Millions | Estimated Share of Underground Economy % | Estimated Size of Underground Economy | Total Tax Revenue Leakage | Tax Leakage Prevented | | |
|--|---|---|---------------------------------------|---------------------------|---------------------------|----------------------------|----------------------------|
| | | | | | Under Definition \$5,000+ | Under Definition \$20,000+ | Under Definition \$50,000+ |
| \$1-\$4,999 | 2,176 | 65 | 1,414 | 327 | - | - | - |
| \$5,000-\$19,999 | 5,693 | 53 | 3,006 | 696 | 348 | - | - |
| \$20,000-\$49,999 | 3,358 | 20 | 672 | 155 | 78 | 78 | - |
| \$50,000 and over | 2,863 | 5 | 143 | 33 | 17 | 17 | 17 |
| Total | 14,090 | 37 | 5,235 | 1,212 | 442 | 94 | 17 |

* Based on data from the report, *Underground Economic in Construction - It Costs Us All*, under the best estimate scenario. In addition, this report assumes approximately half of the underground activities would be curtailed by each of the options.

Source: Altus Group Economic Consulting estimates based on data from Statistics Canada, Ontario Construction Secretariat and the CHBA Pulse Survey

- If all contracts **over \$5,000** are considered major renovations: Ontario’s treasury would benefit substantially from this type of rebate. Governments (both federal and provincial) would potentially regain some \$442 million lost tax revenues from activity in Ontario. The net fiscal impact to the Ontario government of this tax rebate would be reduced to about **\$198 million** (Figure 13);
- If all contracts **over \$20,000** are considered major renovations: This option has the potential to prevent tax leakage in the neighbourhood of \$94 million. The net fiscal impact of this tax rebate for the government would be reduced to about **\$240 million** (Figure 13); and
- If all contracts **over \$50,000** are considered major renovations: This tax rebate would curtail a small amount of underground economy activity, as the share of underground economy for the contractor renovations valued at \$50,000+ is limited at 5%. Thereby, the tax leakage from this category is thought to be limited. The net fiscal impact of this tax rebate for the government would remain around **\$137 million** (Figure 13);

Figure 13

Cost and Benefit Analysis of Various Rebate Options: Option Two

| Size of Contractor Renovation Project by Value Range | Total Contractor Renovation | Total Tax Revenue Leakage | Estimated Tax Rebate Cost | | | Estimated Tax Leakage Prevented | | | Estimated Net Tax Rebate Cost | | |
|--|-----------------------------|---------------------------|---------------------------|----------------------------|----------------------------|---------------------------------|----------------------------|----------------------------|-------------------------------|----------------------------|----------------------------|
| | | | Under Definition \$5,000+ | Under Definition \$20,000+ | Under Definition \$50,000+ | Under Definition \$5,000+ | Under Definition \$20,000+ | Under Definition \$50,000+ | Under Definition \$5,000+ | Under Definition \$20,000+ | Under Definition \$50,000+ |
| | | | <i>\$Millions</i> | | | | | | | | |
| \$1-\$4,999 | 2,176 | 327 | - | - | - | - | - | - | - | - | - |
| \$5,000-\$19,999 | 5,693 | 696 | 306 | - | - | 348 | - | - | (42) | - | - |
| \$20,000-\$49,999 | 3,358 | 155 | 180 | 180 | - | 78 | 78 | - | 103 | 103 | - |
| \$50,000 and over | 2,863 | 33 | 154 | 154 | 154 | 17 | 17 | 17 | 137 | 137 | 137 |
| Total | 14,090 | 1,212 | 640 | 334 | 154 | 442 | 94 | 17 | 198 | 240 | 137 |

Source Altus Group Economic Consulting

- Under **physical activity** definitions of “major renovations”, the net costs would likely be in the \$200-\$250 million range, similar to the \$20,000+ definition.

9. CONCLUSIONS

In the 2009 Ontario Budget, the Government of Ontario proposed to harmonize the provincial sales tax with the federal GST and named the harmonized tax as Single Sales Tax (SST). The proposed SST would have a wide range of negative impacts on the home renovation sector in Ontario, especially with respect to the problem of the underground economy.

To mitigate those negative impacts, the provincial government could introduce a tax rebate directly to consumers, targeting the contractor renovation sector. This report presents several such programs to provincial policymakers for consideration. A full rebate provision (that provides all homeowners and rental housing providers undertaking renovation activity a rebate of some 5.4% of the contract value as an income tax credit) would bring substantial benefits to Ontarians by eliminating any additional tax burden from the change to SST. Considering the effects such a program may have on attacking the existing problem of the underground economy, the ultimate costs to governments from such a rebate would likely be minimal. Alternative approaches include considering rebates for major renovation projects, variously defined. Such options also, generally, would address, at least in part, Ontario's underground economy problems. In all cases, the costs to governments of implementing such a rebate program will have long-lasting benefits, with minimal direct fiscal costs.

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- ⁱ The Canada Revenue Agency defines “substantial renovations” as: “the renovation or alteration of a building to such an extent that all or substantially all of the building that existed immediately before the renovation or alteration was begun, other than the foundation, external walls, interior supporting walls, floors, roof and staircases, has been removed or replaced where, after completion of the renovation or alteration, the building is, or forms part of, a residential complex”. (Subsection 123(1) of the Excise Tax Act)
- ⁱⁱ Smith, Roger S. and Mirus, Rolf, *Canada's Underground Economy: Measurement and Implications*, The Fraser Institute, 1997. This report uses the estimated share of underground income as a percent of the construction industry in the report as a proxy of the share of underground economy as a percent of the total output in the sector.
- ⁱⁱⁱ Prism Economics & Analysis, *Underground Economy in Construction – It Costs us All*, prepared for Ontario Construction Secretariat, April 2008.
- ^{iv} John O’Grady Consulting, Greg Lampert Economic Consultant, and The ARA Consulting Group Inc., *The Underground Economy in Ontario’s Construction Industry*, prepared for Ontario Construction Secretariat, Final Report, November 1998.
- ^v Nova Scotia Department of Finance, *The Underground Economy in Residential Construction*, (draft) October 1997.
- ^{vi} Canadian Federation of Independent Business, *Look Before You Leap! Results of CFIB’s Ontario Member Survey on the HST*, September 2009.
- ^{vii} Prism Economics & Analysis, *Underground Economy in Construction – It Costs us All*, prepared for Ontario Construction Secretariat, April 2008.
- ^{viii} Ibid.
- ^{ix} Ibid.
- ^x John O’Grady Consulting, Greg Lampert Economic Consultant, and The ARA Consulting Group Inc., *The Underground Economy in Ontario’s Construction Industry*, prepared for Ontario Construction Secretariat, Final Report, November 1998.
- ^{xi} Ibid.
- ^{xii} Ibid.

^{xiii} The website of the Get It in Writing campaign.

^{xiv} Ibid

^{xv} Smith, Roger S. and Mirus, Rolf, *Canada's Underground Economy: Measurement and Implications*, The Fraser Institute, 1997.

^{xvi} See, for example, OntarioContractors.com, a nonaffiliated database directory of contractors, builders and construction suppliers. OntarioContractors.com shows the average cost of a major kitchen renovation in Ontario to be approximately \$24,000.

^{xvii} Based on data from the report, *Underground Economic in Construction - It Costs Us All*, under then best estimate scenario.

^{xviii} Assuming the prevention rate is 50%, i.e. only half of the underground activities would be prevented under the tax rebate program.

^{xix} This considers the cost of the rebate program would be partially compensated by the federal government.

**Ontario's HST New
Housing Rebate:
Improving Affordability
Through Threshold Design
and Review**

Independent Real Estate Intelligence

December 2010



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EXECUTIVE SUMMARY

The Ontario Home Builders' Association (OHBA) approached Altus Group Economic Consulting to provide an analysis of the effects of the HST since its announcement last year and examines the structure of Ontario's HST New Housing Rebate. This report provides several policy recommendations for both the Ontario and Federal governments that will improve housing affordability.

Ontario's new HST came into effect on July 1, 2010 and is payable on new housing sales. The Government of Ontario has included a provision within the HST for a new housing rebate of some of the Ontario proportion of the HST. This provision provides a rebate equivalent to 6 percentage points of the 8% provincial portion of the tax on qualifying housing purchases up to a threshold value of \$400,000 and a fixed rebate of \$24,000 on qualifying purchases of homes valued above \$400,000.

When the federal government first introduced the GST and the New Housing Rebate (NHR), the federal government committed to adjust the thresholds "at least every two years" to ensure that they continued to reflect changes in housing prices, and thus to protect housing affordability over time in all parts of Canada. Although the federal government has not delivered on this commitment, the principle that it established – the protection of housing affordability through appropriate rebate threshold adjustments – remains important. Ontario has been silent on the issue of future adjustments to the threshold used in its NHR.

A Commitment Should be Made to Revisit the "Threshold" Value From Time to Time

Ontario housing prices tend to rise over time both in absolute terms and relative to general inflation and average family incomes. In the decade leading up to 2008 (the last year for which we have reliable median family income data), the new housing price index has increased some 46%, compared with general inflation, that rose 26%; and median family income, which advanced by 18%.

As a result of faster housing price appreciation, an ever growing share of new homes is valued at the high-end of the price range:

- Census data shows that new homes valued above \$500,000 accounted for some 5% of the new housing market in 1991 in Ontario. But, this ratio jumped to 13% in the 2006 census; and
- The latest housing price data from the Tarion Warranty Corp. shows that the proportion of homes valued over \$500,000 has continued to grow and was at approximately 14% in 2009.

The proportion of new homes sold in Ontario above \$500,000 almost tripled during the 15-year period. It is critical to understand that a large number of households living in homes valued above \$400,000 are middle income families. The new HST significantly pushes up housing costs and increases the financial burden on middle income and middle class families.

To mitigate the negative effects and avoid further erosion in housing affordability in the coming years, the threshold of the tax rebate on new housing must be reviewed regularly. This will ensure that the tax rebate continues to reflect changes in housing prices and protect housing affordability over time.

Regularly reviewing the rebate threshold with reference to the NHPI will keep the real cost of the HST to new home buyers in Ontario at current levels and avoid further erosion in housing affordability.

The Provincial and Federal Rebates Should be Based on a \$525,000 “Threshold”

Since the introduction of the HST in Ontario and the new housing rebate, many homebuilders and industry analysts suggest that the threshold of \$400,000 for the rebate is too low to reflect the purpose of the rebate – to guarantee tax revenue neutrality for most low and modest income new homebuyers.

In light of this issue, an equitable alternative is to increase the threshold. A threshold at \$525,000 would be appropriate as it is high enough to maintain tax neutrality for the majority of middle class Ontario new home buyers. It is

also the threshold used in the new housing rebate established by the British Columbia government.

Based on the 2009 data of new housing price distribution and unit numbers in Ontario, this report estimates that the new HST in Ontario would have generated some \$422 million in sales tax revenue for the provincial government in 2009 (tax was implemented for new homes sold after June 18, 2009 with closing dates after June 30, 2010).

If the rebate threshold for the Ontario new housing rebate were changed to an initial value of \$525,000, the government would collect lower sales tax revenue from each transaction and lose certain expected tax revenues. This report estimates that the total potential "cost" to the government from increasing the threshold to \$525,000 would be some \$71 million initially.

Although this proposal involves a cost to the Ontario government in terms of lost tax revenues, the increase in threshold would be beneficial in terms of economic development in the province and consistent with the federal government's intention when it introduced the GST.

When the GST was introduced in 1991, the federal government ensured that about 91% of new housing units be eligible for full rebate as to avoid both creating any additional cost for buyers of new homes and causing any housing market distortion. If the new threshold increased to \$525,000 in Ontario, the full rebate would cover 89% of Ontario's new housing units in 2009.

The federal government should also consider altering the rebate structure of the GST to harmonize it with the ones in Ontario and B.C. and take the opportunity to create a unified and simple sales tax policy on new housing across Canada that will reduce tax and regulatory burdens on new home buyers.

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1 INTRODUCTION

The Ontario Home Builders' Association (OHBA) approached Altus Group Economic Consulting to provide an analysis of the effects of the HST since its announcement last year and examines the structure of Ontario's HST New Housing Rebate. This report provides several policy recommendations for both the Ontario and Federal governments that will improve housing affordability.

2 POLICY CONTEXT

The federal government introduced the Goods and Services Tax (GST), which is a value-added consumption tax, in 1991. Since the introduction of the GST, the federal government has pursued an objective to see provinces harmonize their own sales taxes with the GST into a Harmonized Sales Tax (HST). For the most part, Canadian provinces (except Alberta) levy consumption taxes. Several provinces have adopted the HST since the introduction of the GST including Newfoundland, Nova Scotia, and New Brunswick. In addition to these, PEI and Quebec both have partially harmonized retail taxes.

According to the Canada Revenue Agency, a Harmonized Sales Tax (HST) is composed of the federal GST and the provincial sales tax, and applied generally to the same base of goods and services that are tabled under the GST. An HST follows the same general rules as the GST.

The Ontario government announced tax reforms in its 2009 Budget, which include the elimination of the Ontario Retail Sales Tax (RST) and the adoption of a value-added tax harmonized with the federal GST (Ontario HST).

Ontario's new HST came into effect on July 1, 2010 and is payable on new housing sales. The Government of Ontario has included a provision within the HST for a new housing rebate of some of the Ontario proportion of the HST. This provision provides a rebate equivalent to 6 percentage points of the 8% provincial portion of the tax on qualifying housing purchases up to a threshold value of \$400,000 and a fixed rebate of \$24,000 on qualifying purchases of homes valued above \$400,000.

The Province of B.C. also brought a new HST into effect in July 2010 and has made a provision for a new home buyer rebate of a similar nature, but based on a threshold of \$525,000 (and a maximum rebate value of \$26,250).

When the federal government first introduced the GST, they concurrently introduced the New Housing Rebate (NHR) as an integrated design component to the tax. The NHR provides a partial rebate of GST paid on qualifying newly built and substantially renovated homes. The federal government clearly acknowledged the importance of indexation of thresholds to changes in home prices.

In 1989, the federal Government committed to adjust the thresholds “at least every two years” to ensure that they continued to reflect changes in housing prices, and thus to protect housing affordability over time in all parts of Canada¹. Although the federal government has not delivered on this commitment, the principle that it established – the protection of housing affordability through appropriate rebate threshold adjustments – remains important.

Ontario has remained silent on the issue of future adjustments to the threshold used in its NHR.

3 INITIAL MAGNITUDE OF SALES TAX REVENUES FROM THE ONTARIO NEW HOUSING SECTOR

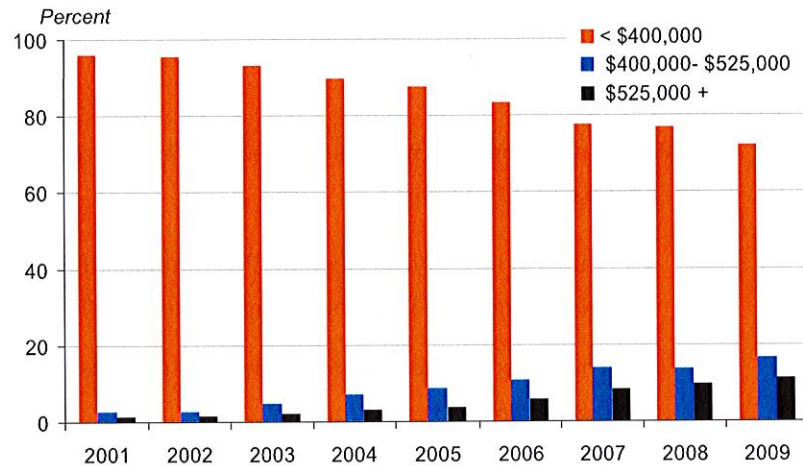
Based on data from Tarion Warranty Corporation,² Figure 1 illustrates trends in new housing price distributions over the past decade:

- The share of new housing units under \$400,000 as a percentage of total new housing in Ontario has been gradually declining over the last decade – it fell 24 percentage points, from 96% in 2001 to 72% in 2009;
- The share of new housing units priced between \$400,000 and \$525,000 experienced the largest increase over the period, reaching 17% of the total new housing units in 2009, a 14 percentage point increase from 2001; and

- New housing units priced above \$525,000 increased their share from just over 1% in 2001 to about 11% in 2009.

Figure 1

Distribution of New Housing Units by Price Range, Ontario, 2000-2009



Source: Altus Group Economic Consulting based on data from Tarion Warranty Corporation

Based on the 2009 data of new housing price distribution and unit numbers in Ontario, this report estimates that, had the HST been in effect:

- It would have generated some \$422 million in new sales tax revenue for the provincial government in 2009;
- Middle-income homebuyers would have paid significantly higher taxes, approximately \$105 million would have been collected from new homes valued between \$400,000 and \$525,000; and
- Upper-end new homes, valued above \$525,000, would have contributed some \$317 million – more than three times the amount generated by lower priced homes.

These estimates of initial tax revenue from the housing sector underscore the need for a smarter rebate structure that recognizes and addresses the relatively high tax burden the existing structure puts on that middle-income group of new home buyers.

4 HOUSE PRICES IN ONTARIO

This section examines the historical movements of new housing prices and price distribution in Ontario. It also compares the growth rate of new housing prices to the growth rates of the general consumer price index and family income in the province.

4.1 New Housing Price Index

Ontario's new housing markets have seen a fairly large price appreciation over the past two decades:

- The province's New Housing Price Index (NHPI) has been steadily increasing since its lows during the mid 1990s (Figure 2);
- The index reached 148.5 in March 2010, more than twice the level from 1986;
- The economic recession and housing slump in Canada during the early 1990s caused a sharp decline the NHPI between 1990 and 1991 – followed by further modest declines through to the mid 1990s (Figure 3); and
- The growth rate of the NHPI has been consistently positive since 1997 and only briefly turned negative in 2009, during the global recession.

4.2 Housing Inflation is Faster than CPI and Family Income Growth in Ontario

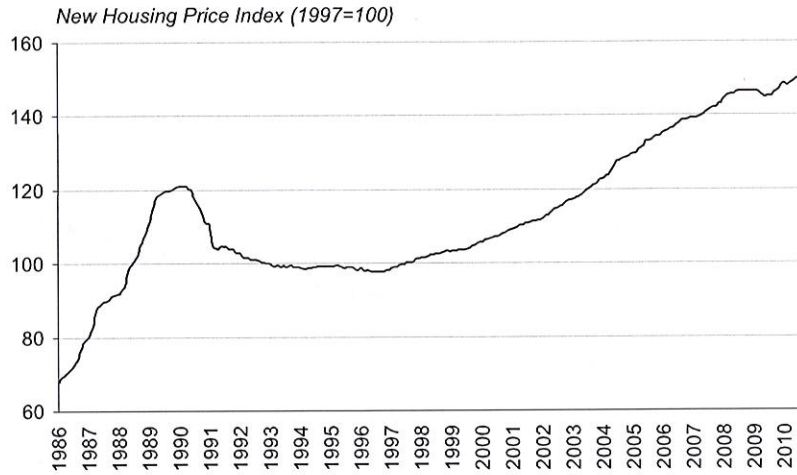
By comparing housing inflation rate to growth in CPI and family income, it shows that housing cost has outpaced the overall consumer inflation and become less affordable to average families.

The latest confirmed data on median family income are from 2008. Data from the last decade (1998-2008) illustrate that Ontario's NHPI had a faster price appreciation than the Consumer Price Index (CPI) and median family after-tax income in the province (Figure 4):

- During the 1997-2008 period, the NHPI increased about 46%, much higher than the increase of CPI (26%) and median family income (18%);

Figure 2

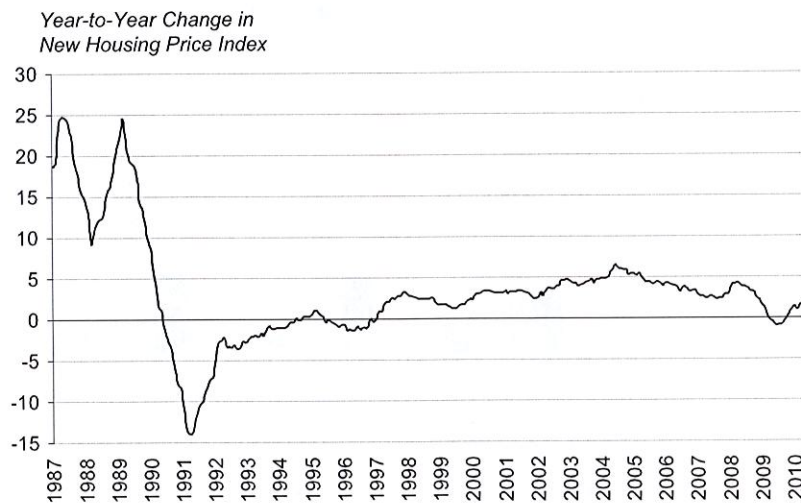
New Housing Prices in Ontario, 1986-2010



Source: Altus Group based on data from Statistics Canada

Figure 3

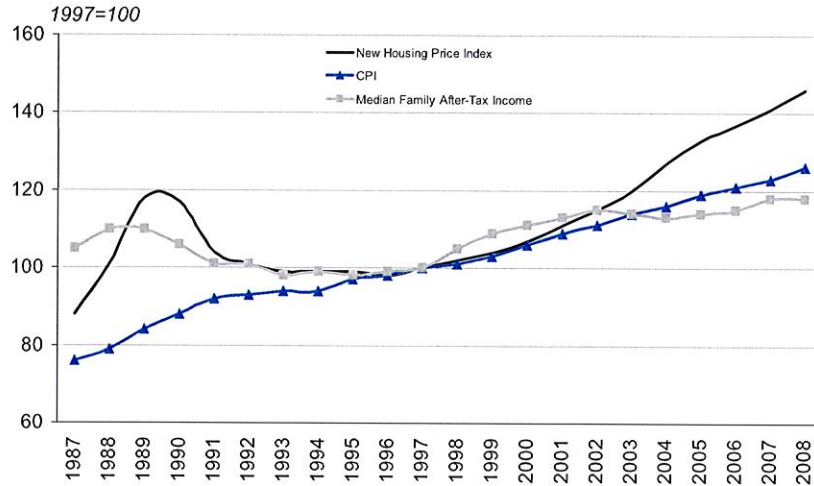
Changes in New Housing Prices in Ontario, 1986-2010



Source: Altus Group based on information from Statistics Canada (March)

Figure 4

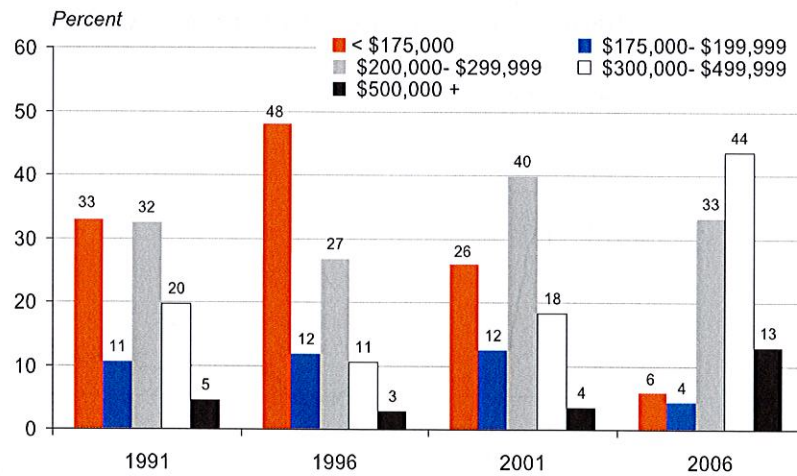
Changes in New Housing Price Index, CPI and Family Income* in Ontario, 1987-2008



*Based on after-tax income of economic families with two persons or more
Source: Altus Group based on information from Statistics Canada

Figure 5

Distribution of New Homes by Price Range Ontario, Census Data, 1991-2006



Source: Altus Group Economic Consulting based on data from Census Canada

- After a period of higher growth during the early 2000s, the median family income has fallen behind the growth of new housing prices and CPI in Ontario; and

- With new housing price appreciation outpacing the rise in family income, new homes have become less affordable to the average family in the province.

4.3 Price Distribution of Newly Constructed Homes based on Census Data

In general, the share of new homes priced the “high-end of the price range” have been rising over the years (Figure 5):

- For all new homes constructed in 1991, a vast majority (75.8%) valued below \$300,000. However, this ratio dropped significantly to 43.5% by 2006;
- On the other end, new homes valued above \$500,000 accounted for 5% of the new housing market in 1991. But this ratio jumped to 13% by 2006 – almost tripling during the 15-year period;
- On an incremental basis, developers have been forced to price new homes higher due to escalating raw materials prices and wages, government regulations, land prices, government imposed fees, the HST and in particular, development charges.

4.4 Price Distribution of Newly Constructed Single and Semi-Detached Homes based on CMHC data

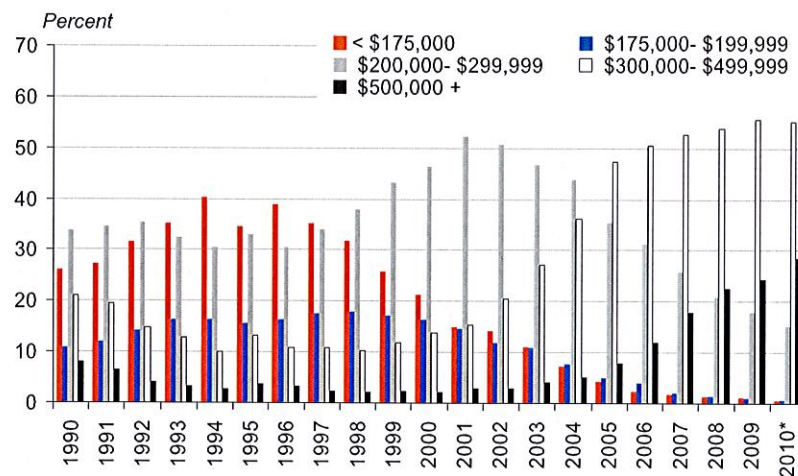
CMHC, Canada’s national housing agency, has more frequent data on the prices of single and semi-detached homes. The latest data from the CMHC illustrate some trends in housing price distribution of single and semi-detached homes in Ontario, including (Figure 6):

- Over the years due to land prices, wages, government imposed costs, etc., there has been a gradual shift to higher priced homes in this segment of the province’s housing market. For example, 71% of new single and semi-detached homes constructed in 1990 were valued below \$300,000. However, this ratio dropped significantly to just 20% in 2008;
- New homes valued above \$500,000 only accounted for 8% of the new single and semi-detached homes constructed in the province in 1990. But this ratio jumped to 24% in 2008, more than quadrupled over the period; and

- These changes in the price distribution of single and semi-detached homes increase the difficulty of an average family to obtain adequate housing in Ontario.

Figure 6

Distribution of Absorbed Newly Completed Single and Semi-Detached Homes by Price Range Ontario, 1990-2010



* Based on year-to-date data.

Source: Altus Group Economic Consulting based on data from CMHC

4.5 A Large Share of Owners of New \$400,000+ Homes are Middle-Income Families in Ontario

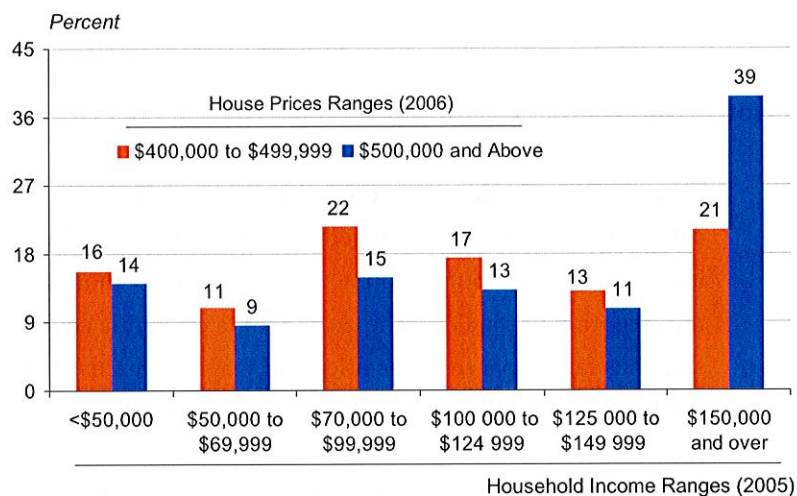
Homes valued over \$400,000 are not exclusively owned by higher income residents in Ontario:

- Among owners of newly built homes in Ontario that are valued at \$400,000 and above, a significant number of households can be classified economically as “middle class” or below;
- Data from the 2006 Census show that over one-quarter of owners of newly built homes in the province that are valued at \$400,000 and above have total family incomes of \$70,000 or less, and almost half have total household incomes below \$100,000 (Figure 7);
- Households with income in these ranges (below \$100,000 and certainly below \$70,000) are solidly middle class. Households in these categories with two incomes are generally well below the highest tax brackets in the province;

- As an illustration, such a household could be composed of a factory worker and a school teacher. This is the demographic that will be asked to bear the additional tax hit in Ontario under the new HST;

Figure 7

Distribution of \$400,000 and up Homes in Ontario by Average Household Income, Census Data, 2006



Source: Altus Group Economic Consulting based on data from the 2006 Census

- To make matters worse, assuming additional house price increases over the next decade, a larger share of owners of newly built homes that are valued at \$400,000 and above will come from this critical demographic; and
- Consequently, without the indexation of tax rebate thresholds to new housing price increases, the HST will become an increasing burden on middle class families over time.

5 IMPORTANCE OF A REGULAR REVIEW

Under the current policy, the additional tax burden on new home buyers and new housing investment from the HST will grow dramatically during the next decade. This is due primarily to the effects of housing price increases, which lead to more new home buyers receiving a smaller portion of the rebate relative to the new housing tax. The optimal solution is for the government to regularly review the housing rebate threshold and to index the thresholds of Ontario's new housing sales tax rebates to changes in new

housing prices. When the GST was first introduced, the federal government intended to regularly revise the threshold of the New Housing Rebate (NHR), but it failed to do so.

This chapter analyzes the consequence of the lack of indexation in the NHR and argues that it is paramount for both the Ontario Government and the Government of Canada to regularly review the thresholds on the new housing rebates and link them to new housing price inflation.

5.1 Lessons from the GST

Historical trends show that the failure to implement indexation (despite a commitment to do so) by the federal government has led to a dramatically increased GST tax burden on new home buyers – more than doubling – since the inception of the GST. The growth of tax revenue collected from new home sales has far outpaced other price and wage increases. The lack of indexation has been continually eroding housing affordability across Canada.

5.1.1 Tax Burdens of the GST more than Doubled since Its Inception

The tax burden of the GST on new home buyers in Canada more than doubled between 1991 and 2006:

- It is estimated that the Federal Government collected some \$1.6 billion (net of the NHR) in GST from new housing sales in 1991³ (Figure 8);

Figure 8

GST Collected from New Housing Sales, Census Data, 1991 and 2006

| | 1991 | 2006 | Percentage Change |
|----------------------------------|---------|---------|-------------------|
| New Housing (Units) ¹ | 166,227 | 173,472 | 4% |
| Median New Housing Price (\$) | 162,500 | 295,000 | 82% |
| Total GST Collected (\$Millions) | 1,588 | 3,400 | 114% |

¹ Average annual units based on total newly-built, owner occupied housing units during the census period.

Source: Altus Group Economic Consulting based on data from the 1991 and 2006 Census

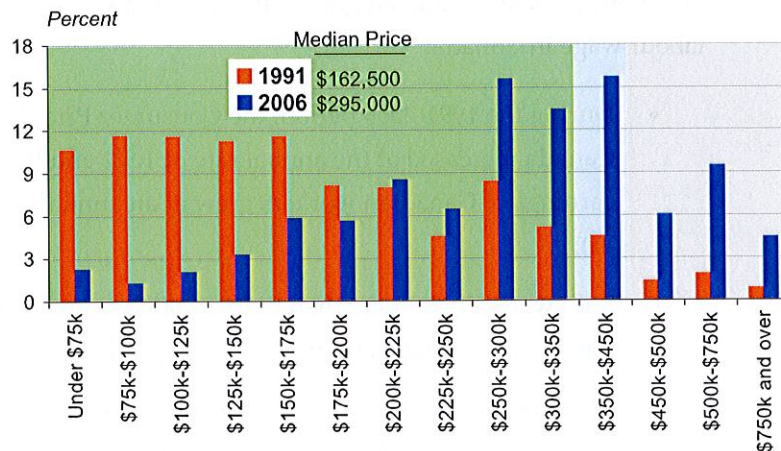
- This amount more than doubled between 1991 and 2006, jumping to \$3.4 billion, representing an average annual growth rate of 5.2%. During this period, the average annual new housing units increased

from 166,230 units to 173,470 units, according to the 1991 and 2006 census – just a 4.4% increase over the whole period;

- The increase in GST revenue is due primarily to the housing price increases and the fact that over time fewer and fewer new home buyers qualified for a full or partial rebate;
- The median new housing price increased some 82% between 1991 and 2006 and the price distribution of new homes skewed significantly to the high-end of the price range by 2006 relative to 1991 (Figure 9);
- For example, the share of all new housing units priced above \$250,000 was significantly higher in 2006 than in 1991;
- When the GST was introduced in 1991, the Federal Government set the thresholds at \$350,000 and \$450,000;
- An estimated 91% of newly built homes at that time would qualify for a full rebate (Figure 10); and
- In contrast, by 2006 only 64% of new homes qualified for a full rebate.

Figure 9

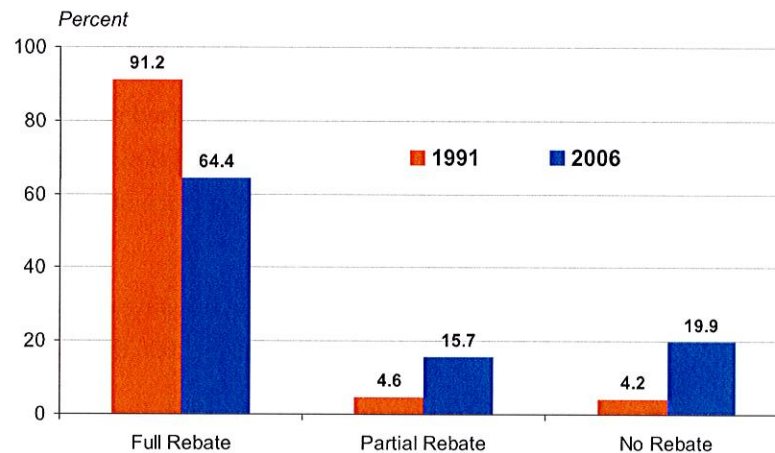
Distribution of Newly-Built, Owner-Occupied Housing By Value, Canada, Census Data, 1986-1991 and 2001-2006



Source: Altus Group Economic Consulting based on data from the 1991 and 2006 Census

Figure 10

Percentage of New Home Buyers Qualified for the GST New Housing Rebate Program, Census Data, 1991 and 2006



Source: Altus Group Economic Consulting based on data from the 1991 and 2006 Census

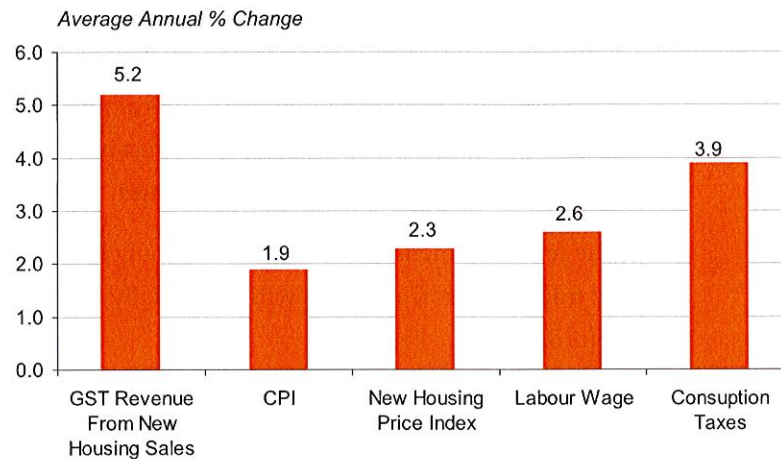
5.1.2 Growth of GST Revenue Outpaced Other Price and Wage Increases

The growth of tax revenue collected from new home sales has far outpaced other price and wage increases. The lack of indexation continually erodes housing affordability. The 5.2% average annual increase in GST revenue from new housing sales is much higher than the increase in cost of living and labour wage in Canada:

- During the 1991-2006 period, the Consumer Price Index (CPI) in Canada increased at the annual rate of 1.9% and the average weekly earnings of Canadian workers grew at an annual rate of 2.6% (Figure 11);
- Both were much lower than the estimated average annual growth rate in GST revenues from new housing sales;
- GST from new home sales was one of the fastest growing components of the federal government's overall consumption tax revenue, which rose over the period by some 4.0%;

Figure 11

Growth Rate of GST Revenue from New Housing Sales, Relative to Other Measures, 1991-2006



Source: Altus Group Economic Consulting based on data from Statistics Canada

- The increase in GST revenue from new housing sales is excessive relative to general price increase and labour cost. It is inequitable to ask new home buyers to account for a growing share of the federal government's tax revenue; and
- In the absence of proper indexation, the same trend will occur in Ontario as a result of the proposed harmonized tax and rebate schemes in the province.

5.1.3 *Lack of Indexation Continually Erodes Housing Affordability for Middle-Income Families*

In 1991, the 9% of the housing market that did not qualify for a full GST rebate was primarily composed of higher income households. By 2006, many home buyers who did not qualify for a full rebate were middle income, middle class Canadians:

- Over half of the owners of newly-built homes in Canada that are valued at least \$350,000 have total household incomes of \$100,000 or less (Figure 12);

- This means that a significant number of home buyers who are middle-income families are not eligible for a full sales tax rebate under the NHR;
- Over the long term, housing prices generally rise either in pace with or modestly in advance of general inflation. Going forward, assuming a continuation of modest housing prices alongside general inflation, middle-income families will generally receive a smaller portion of the rebate relative to the new housing tax; and
- The resulting increased tax burden on new housing investment borne by middle-class Canadians will continually erode housing affordability.

Figure 12

Distribution of \$350,000 and above Homes in Canada by Average Household Income, Census Data, 2006



Source: Altus Group Economic Consulting based on data from the 2006 Census

5.2 Tax Burdens of the New HST on Ontario’s New Home Buyers Would More Than Double Within a Decade

Without indexation of the tax rebate thresholds to changes in new home prices, the new HST will become an increasing burden on middle-class families in Ontario:

- The HST in Ontario would generate some \$825 million in additional tax revenues for the Ontario government in 2019, an increase of 121%

over the 2009-2019 period, assuming housing prices in the province increase at the same pace as in the past decade (1998-2008, approximately 43% over the period);

- The primary driver of the increased tax burden is that more new home buyers will receive a smaller portion of the rebate relative to the new housing tax;
- Due to the normal effects of inflation on incomes and buying power over the next decade, a larger share of owners of newly built homes that are valued at \$400,000 and above will come from the middle class; and
- This means that mainly middle-income families would have to shoulder the increased tax burden on new housing in Ontario.

6 IMPACTS OF A DIFFERENT THRESHOLD

Since the introduction of the HST in Ontario and the new housing rebate, many homebuilders and industry analysts suggest that the threshold of \$400,000 for the rebate is too low to reflect the purpose of the rebate – to guarantee tax revenue neutrality for most low and modest income new homebuyers. One alternative for the Ontario Government is to increase the threshold to \$525,000 – the threshold adopted by the British Columbia Government. This alternative threshold yields a maximum rebate value of \$31,500, based on Ontario’s calculation method (i.e. 75% of the provincial portion of the new HST).

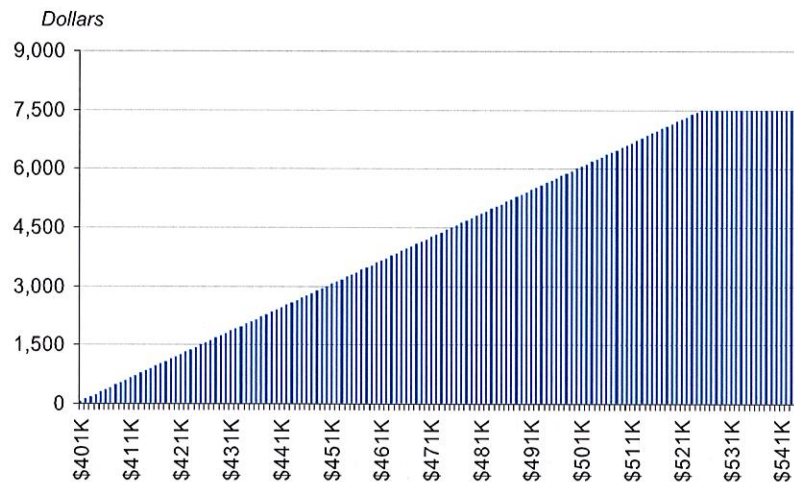
If the Ontario Government changes the rebate threshold to be \$525,000, then lower tax revenues would be collected on each transaction for homes priced at \$401,000 and above. This policy decision, therefore, would result in losing certain expected tax revenues. The magnitude of these losses are estimated to be (Figure 13):

- The lost tax revenue per housing unit by increasing the rebate threshold to \$525,000 grows with the increase of the housing price – it costs about \$60 for a \$401,000 home and gradually increases to \$7,500 per transaction on all homes priced at \$525,000 and above; and
- The total “cost” to the government from increasing the threshold to \$525,000, and therefore providing modestly higher rebate values for

homes sold over \$400,000, would be approximately \$71 million initially. This calculation is based on the lost tax revenue per unit, and the 2009 distribution of home sales by price range according to the data from Tarion (recall Figure 1).

Figure 13

Lost Tax Revenue Per Housing Unit by Increasing the HST Threshold to \$525K, Ontario



Source: Altus Group Economic Consulting

Although the government loses certain tax revenues, the increase in threshold could be beneficial for economic development and housing affordability in the province:

- New home buyers would save some \$71 million on their purchases, improving housing affordability, especially for middle income families in the province; and
- New home buyers would likely spend part of the saving on furniture, appliances and other goods or services, increasing private consumption and promoting economic development.

7 CONCLUSIONS AND RECOMMENDATIONS

On July 1, 2010, the new HST came into effect in Ontario and is applicable to new housing sales. The Government of Ontario has included a provision within the HST for a new housing rebate of some of the Ontario proportion of the HST and has set the threshold at \$400,000 with the maximum rebate of \$24,000 per unit.

However, many homebuilders and potential new home buyers still have concerns with both the current and future rebate threshold values. This report provides an analysis of the design of Ontario's HST New Housing Rebate and provides policy recommendations with respect to the initial and future threshold values:

- The initial magnitude of sales tax revenues generated from new housing sales in the province is estimated at about \$422 million, based on 2009 transaction data;
- The new housing rebate threshold value should be reviewed from time to time by the Province, to ensure that it remains equitable in light of normal inflationary changes in housing prices, thereby protecting housing affordability over time. During the last decade (1998-2008), Ontario's NHPI had a faster price appreciation (46%) than Consumer Price Index (CPI) and median family after-tax income in the province. Without reviewing the threshold value from time to time, in light of changes in housing prices, an increasing share of new home buyers will receive a smaller portion of the rebate relative to the new housing tax. Indexing the rebate threshold to the NHPI will keep the real cost of the new HST to home buyers of new housing units in Ontario at current levels and avoid further erosion in housing affordability;
- The Ontario government should also increase the threshold to \$525,000, since almost one-third of total new housing units are valued above this threshold in the province. In addition, a large share of owners of new \$400,000+ homes are middle-income families in the province. To increase the threshold, the government would reduce some burdens of the new HST on middle-income families;

- If the rebate threshold were to be increased to \$525,000, it would “cost” the Province, in terms of lost tax revenue, some \$71 million, but would benefit middle-income Ontario households through increased housing affordability and fewer market distortions;
- Raising the threshold value to \$525,000 would be also consistent with the federal government’s intention when it introduced the GST. When the GST was introduced in 1991, the federal government ensured that about 91% of new housing units be eligible for full rebate as to avoid both creating any additional cost for buyers of new homes and causing any housing market distortion. If the new threshold increased to \$525,000 in Ontario, the full rebate would cover 89% of Ontario’s new housing units in 2009; and
- The federal government should also consider altering the rebate structure of the GST to harmonize it with the ones in Ontario and B.C. and take the opportunity to create a unified and simple sales tax policy on new housing across Canada that will reduce tax and regulatory burdens on new home buyers.

¹ "Technical Paper on the GST", November 1989 (page 19).

² Tarion Warranty Corporation is a private insurance company that was established in 1976 to protect the rights of new home buyers and regulate new home builders.

³ From the 1991 Census, the price distribution of newly-built, owner-occupied homes during the 1986-1991 period is estimated, and then based on the average annual new housing units for the period of 1986-1991, the price distribution and the GST rates. This report estimates the amount of GST collected by the Federal Government.

Parkland Dedication Comparison

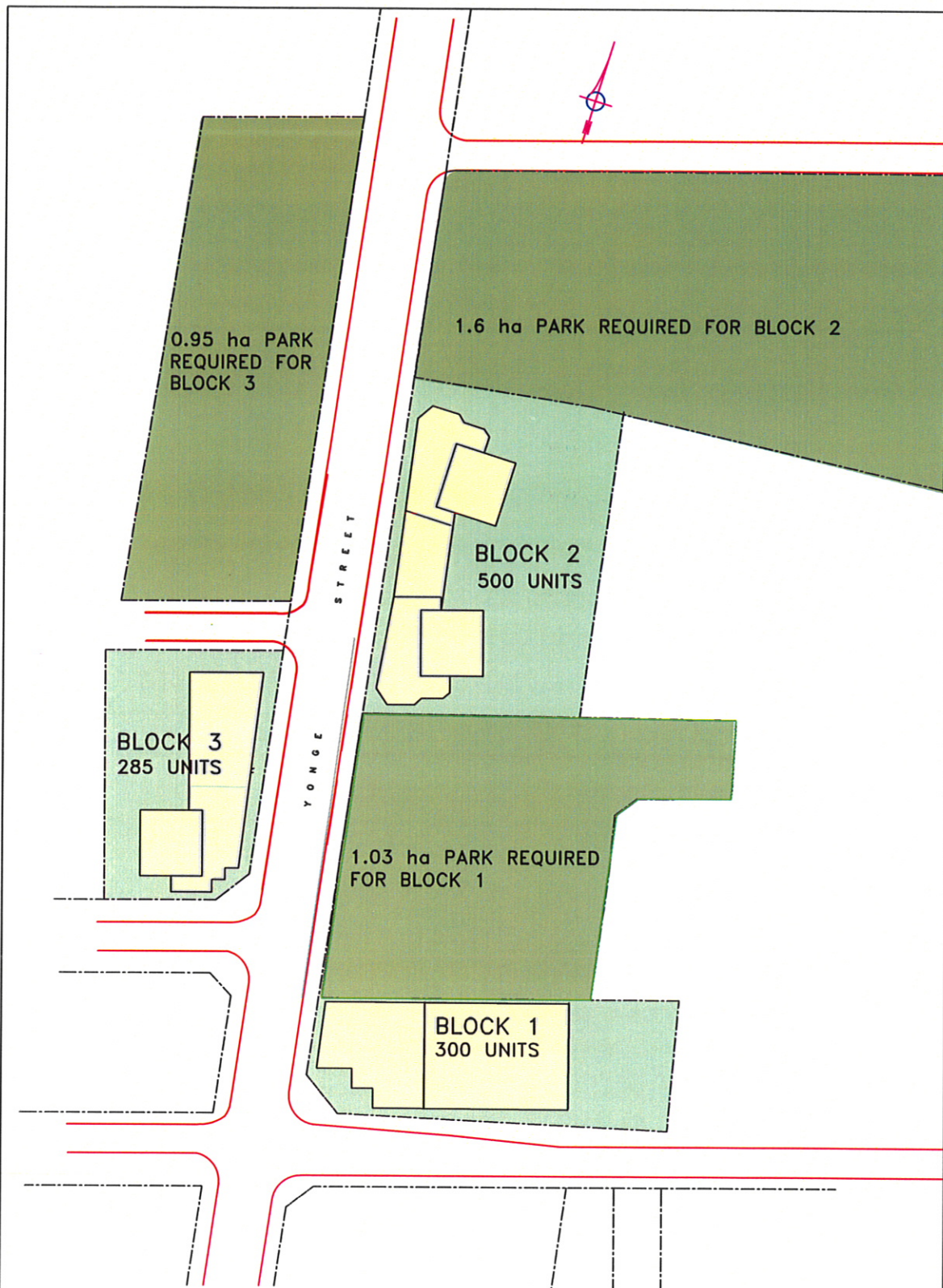
| | Luxury condo | Affordable condo |
|--|--|--|
| Site Area | 1 ha (2.5 acres) | 1 ha (2.5 acres) |
| Total Building GFA ¹ | 25,000m ² (270,000 ft ²) | 25,000m ² (270,000 ft ²) |
| Average unit size | 2,000 ft ² | 700 ft ² |
| Number of Units | 135 | 386 |
| Number of bedrooms | Approx. 405 ² | Approx. 579 ³ |
| Parkland requirement | 0.45 ha (1.1 acres) | 1.3 ha (3.2 acres) |
| Estimated market value at building permit ⁴ | \$7,400,000 / ha (\$3,000,000 / acre) | \$7,400,000 / ha \$3,000,000 / acre |
| Total cash-in-lieu required | \$3,300,000 | \$9,620,000 |
| Cash-in-lieu / unit | \$24,444 | \$24,922 |
| Cash-in-lieu / ft ² | \$12.22/ft ² | \$35.63/ft ² |

¹ Assuming 2.5 FSI

² Assuming 3 bedrooms / unit on average

³ Assuming 1.5 bedrooms / unit on average

⁴ The source for this estimated market value was the April, 2013 Richmond Hill staff report which provided a range of market values from \$1,500,000 to \$4,500,000. For this paper a \$3,000,000 / acre value was used being the mid-point of the range.

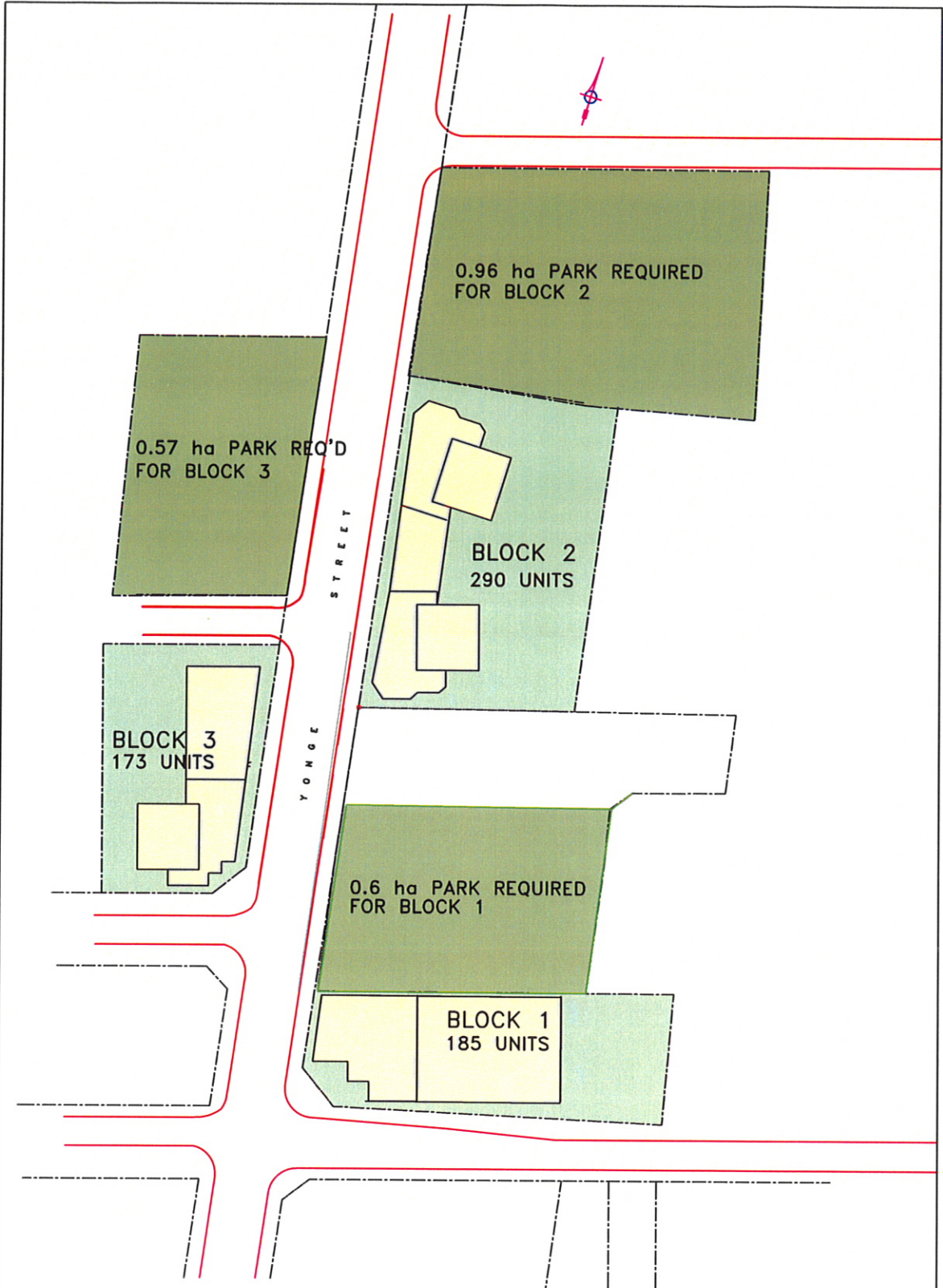


PARKLAND DEDICATION 1 HA/300 UNITS – 5x DENSITY

| | LOT AREA ha | GFA @ 5x DENSITY | # OF UNITS | PARK REQ'D ha |
|---------|-------------|------------------|------------|---------------|
| BLOCK 1 | 0.524 | 26,200 | 308 | 1.03 |
| BLOCK 2 | 0.823 | 41,150 | 484 | 1.6 |
| BLOCK 3 | 0.4916 | 21,015 | 285 | 0.95 |

SCHEDULE A





PARKLAND DEDICATION 1 HA/300 UNITS – 3x DENSITY

| | LOT AREA ha | GFA @ 3x DENSITY | # OF UNITS | PARK REQ'D ha |
|---------|-------------|------------------|------------|---------------|
| BLOCK 1 | 0.524 | 15,720 | 185 | 0.6 |
| BLOCK 2 | 0.823 | 24,690 | 290 | 0.96 |
| BLOCK 3 | 0.4916 | 14,748 | 173 | 0.57 |

SCHEDULE B



Development Charges Act, 1997
Issue Statement re Developer Cost Sharing Burdens and
Proposed Section 59(2) Revision

1. Issue Statement

The *Development Charges Act, 1997* (“DCA”) does not provide adequate protection for landowners to impose equitable cost sharing among all benefitting landowners. This is true for both infrastructure and public land that is required in order to obtain land development approvals within identified planning areas.

Landowners who proceed to develop first are often required to construct or fund infrastructure that is not included in the applicable development charge by-law(s), is ineligible for inclusion or development charge recoveries are not available for a period of years after the financial commitment is made. While the front-ending agreement provisions in Part III of the DCA are intended to assist with this situation, those provisions capture only a portion of the infrastructure that is required for development to proceed. In addition, the front-ending agreement provisions are cumbersome and few municipalities have shown any interest in administering these agreements.

Where public land conveyances are required as a condition of development proceeding within a benefitting area, significant carrying costs are associated with holding land such as school sites for up to ten years before the land is either acquired or released. In other circumstances, public land conveyances that benefit more than one landowner are not eligible for compensation pursuant to the *Planning Act*. In both of these circumstances, there is no clear entitlement to recover the associated costs from benefitting landowners, even though their land could not proceed to develop without this land being reserved or conveyed.

2. Proposed revisions to Section 59 of the *Development Charge Act*

59(1) A municipality shall not, by way of a condition or agreement under section 51 or 53 of the *Planning Act*; impose directly or indirectly a charge related to a development or a requirement to construct a service related to development except as allowed in subsection (2).

Exceptions for local services

(2) A condition or agreement referred to in subsection (1) may provide for,

(a) local services, related to a plan of subdivision or within the area to which the plan relates, to be installed or paid for by the owner as a condition of approval under section 51 of the *Planning Act*;

(b) local services to be installed or paid for by the owner as a condition of approval under section 53 of the *Planning Act*.

(c) costs incurred for the benefit of an identified area within a municipality including land required by a municipality for public purposes where no remuneration is payable pursuant to the *Planning Act* and land or services that are eligible for inclusion in a development charge by-law prior to the availability, if any, of a credit or other recovery.

Limitation

(3) This section does not prevent a condition or agreement under section 51 or 53 of the *Planning Act* from requiring that services be in place before development begins.

Notice of development charges at transfer

(4) In giving approval to a draft plan of subdivision under subsection 51(31) of the *Planning Act*, the approval authority shall use its power to impose conditions under clause 51(25)(d) of the *Planning Act* to ensure that the persons who first purchase the subdivision land after the final approval of the plan of subdivision are informed, at the time the land is transferred, of all the development charges related to the development.

Exception, old agreements

(5) This section does not affect a condition or agreement imposed or made under section 51 or 53 of the *Planning Act* that was in effect on November 23, 1991.



BUILDING FUTURES

PREPARED BY THE BUILDING INDUSTRY AND LAND DEVELOPMENT ASSOCIATION



President's Message

Bryan Tuckey, President & CEO, BILD



In fall 2013, BILD worked with the Toronto Star to produce a four-part civic awareness series of stories to help educate new-home purchasers about key issues in the GTA building and development industry. The series was published ahead of an 80-day consultation process on the land-use planning and appeals system in Ontario, which was launched in October by Linda Jeffrey, Ontario's minister of municipal affairs and housing.

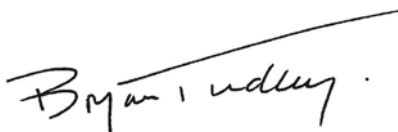
As a service to our members and to you, new-home buyers across the GTA, we have reproduced the series as a booklet and hope that you will find the information interesting as well as informative.

This booklet addresses important industry issues such as development charges, the Ontario Municipal Board, municipal zoning bylaws and parkland dedication, and how they relate to the industry, the economy and the public.

With up to 100,000 people and 50,000 jobs coming to the GTA every year, the building and land development industry has built an average of 38,000 homes per year for the past decade.

As one of the largest employers in the region, the industry has generated more than 202,000 jobs in 2012 alone, paying \$10.8 billion in wages, which are reflected as purchases across the local economy. In fact, every construction crane you see today is responsible for the creation of up to 500 jobs.

Building homes that people can afford continues to be a challenge for the industry and new-home purchasers, as well as for every resident in the GTA. Focused on that goal, we at BILD are working with our partners in government to help our members build premium-quality, complete communities.



Bryan Tuckey
President and Chief Executive Officer

Building Industry and Land Development Association (BILD)

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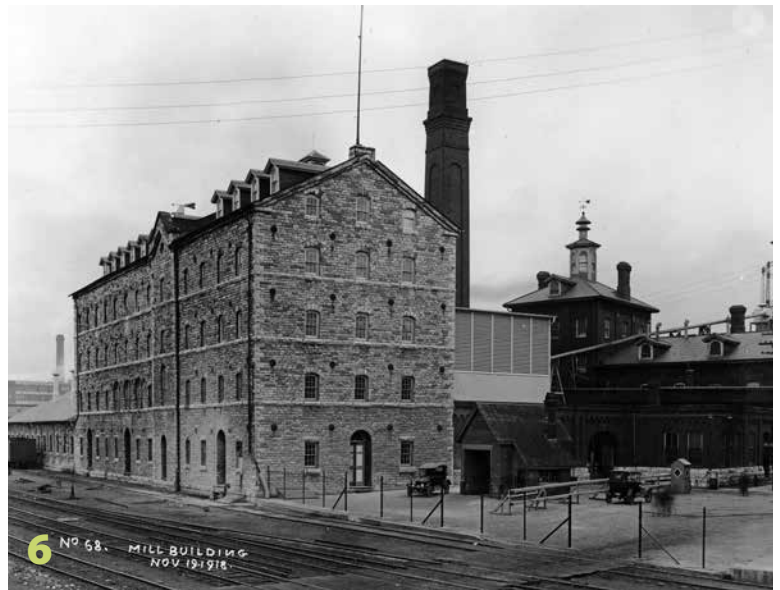
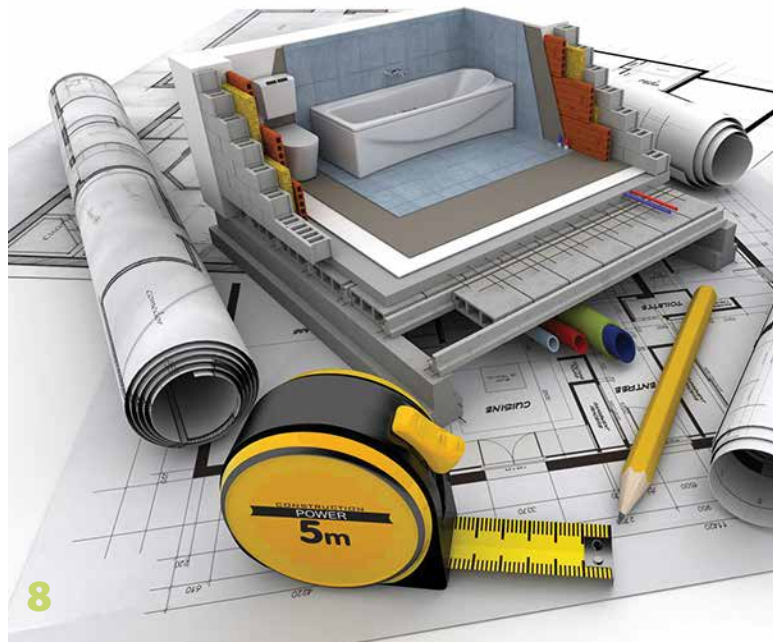
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Striking a balance for ‘reasonable and fair’ development charges

Steep increase in municipal fees may pose challenges for prospective buyers

Several years ago, Lysha DeFreitas realized her dream of owning a home. She bought a 750-sq.-ft., two-bedroom condo in Mississauga. It was a milestone moment for DeFreitas. Given the cost of real estate in the GTA, being able to buy her first home was no small feat. “I’d just come out of university and had very little money saved,” she recalls. “So, it was a challenge.”

Landing a full-time job in sales and marketing after graduation helped. Still, she worked hard, saved diligently and eventually cobbled together the down payment. “I really wanted this particular condo,” she says, “and I did everything I could to buy it.”

DeFreitas was fortunate to get onto the property ladder when she did. Nowadays, prospective home purchasers find the market more challenging, as municipalities across the GTA contemplate hikes in development charges (DCs) — the taxes imposed on the construction of new homes and employment spaces to pay for growth-related infrastructure, such as roads, transit, sewer and water pipes, and parks and community centres.

“Ultimately, development charges are paid

for by new-home buyers and businesses,” notes Bryan Tuckey, president and CEO of the Building Industry and Land Development Association (BILD). “As the charges increase, affordability decreases.”

ALTUS GROUP REPORT

BILD recently commissioned a report by Toronto-based Altus Group, which provides real estate consulting and advisory services, to examine the impact of government fees and charges on the cost of a new home in the GTA. Of all the fees and charges imposed on new homes, the study found that DCs represented the greatest proportion, having increased between 143 and 357 per cent across the GTA since 2004. “That’s pretty shocking,” says Altus Group’s associate director Daryl Keleher, one of the report’s authors. “It’s an alarming trend.” In addition to government fees and charges, land and construction are major components of the cost to build new homes and businesses.

The City of Toronto recently approved increasing its DCs by more than 70 per cent by 2016. Currently, DCs on new homes in Toronto range from \$8,356 on a one-bedroom apartment to

\$19,412 on a detached home.

When the newly-approved rates begin phasing in come February 2014, the DCs will jump by about 32 per cent.

It’s much higher outside Toronto, in areas where infrastructure must be built to support new development. In Markham, for example, combined city and regional DCs range from \$31,257 on a condo apartment unit to \$60,057 on a detached home.

“Whether purchasers know it or not, they’re paying for DCs in their mortgages,” Keleher says.

CHALLENGING AFFORDABILITY

Rising DCs will have serious ramifications for the next generation of purchasers, as well as the viability of companies building those homes. “These are costs they have to carry until they can get the sales,” Keleher says. “It’s a burden for larger builders, but smaller builders have even less flexibility to carry these costs. So, it could end up driving some independent home builders out of the market.”

BILD is working with municipalities to ensure that any DC increases are reasonable and fair.

“We’re advocating for affordable options,”

5

things you need to know about development charges

1 What are development charges?

Development charges (DCs) are fees collected by municipalities from developers at the time a building permit is issued. They help pay for the cost of infrastructure required to provide municipal services to new development, such as roads, transit, water and sewer infrastructure, community centres, and fire and police facilities.

2 Which GTA municipality has the highest DCs?

Of the six municipalities studied in the Altus Group report, the City of Brampton had the highest development charges; DCs there add roughly \$60,000 to the cost of a new home.

3 How significantly have DCs increased in the past decade?

The Altus Group study found that DCs — which constitute

the highest proportion of government charges imposed on new-home construction — increased between 143 and 357 per cent across the GTA since 2004.

4 Why are municipalities allowed to increase DCs?

By provincial law, municipalities can set DC rates through DC bylaws. Municipalities produce background studies to justify their infrastructure and growth requirements. DC bylaws have a

five-year time frame, but they can be reviewed and changed before they expire.

5 When was the City of Toronto’s last DC increase?

Toronto has completed a review and in October 2013 passed a new DC bylaw. The previous bylaw was enacted in February 2009 with DC increases phased-in in February 2012 and February 2013.

says Darren Steedman, vice-president of Concord, Ont.-based Metrus Development Inc. and chair of BILD's Peel Region chapter. "We're trying to make sure we keep the market open to as many people as possible."

Steedman emphasizes that new-home buyers must pay their "fair share" for upgrading and building infrastructure, but at the same time, he's worried that they are shouldering a disproportionate amount of the costs. DCs in Peel have increased by more than 380 per cent since 1995, he

notes. "If you look at property tax rates over the same time, they don't even come close to that."

He thinks that governments are relying too heavily on taxing new-home construction to fund infrastructure expansion, likely because purchasers don't realize that DCs are incorporated into the home price.

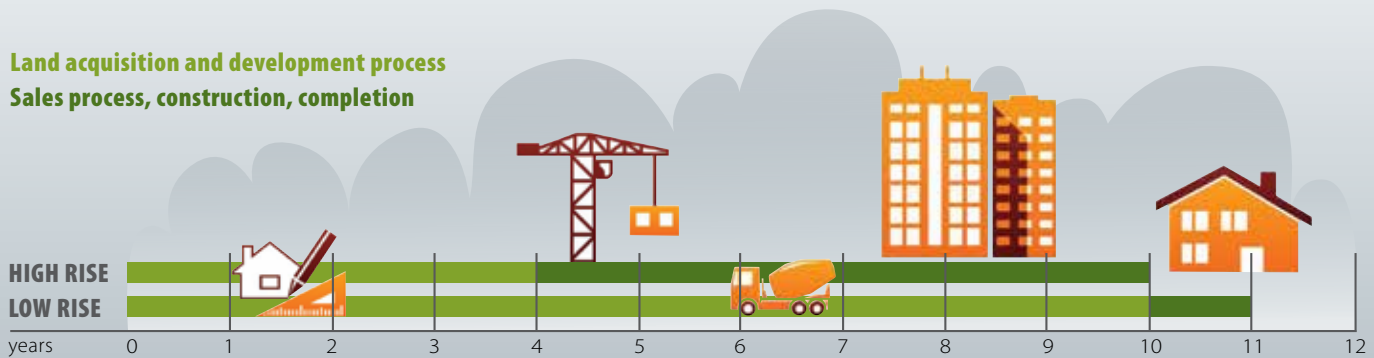
In the past, governments would borrow money or use property taxes as sources of funding infrastructure expansion. But elected officials today seem reluctant to raise property taxes on

existing homeowners.

That's short-term thinking, according to homeowner DeFreitas. "Increasing development charges is sure to make home ownership unattainable for first-time buyers," she says. "Many of my friends are desperately trying to get into the market and they are already facing affordability issues. Increasing charges will only add to the difficulty of purchasing their own home. They are going to have to rent or continue to stay at home." ■

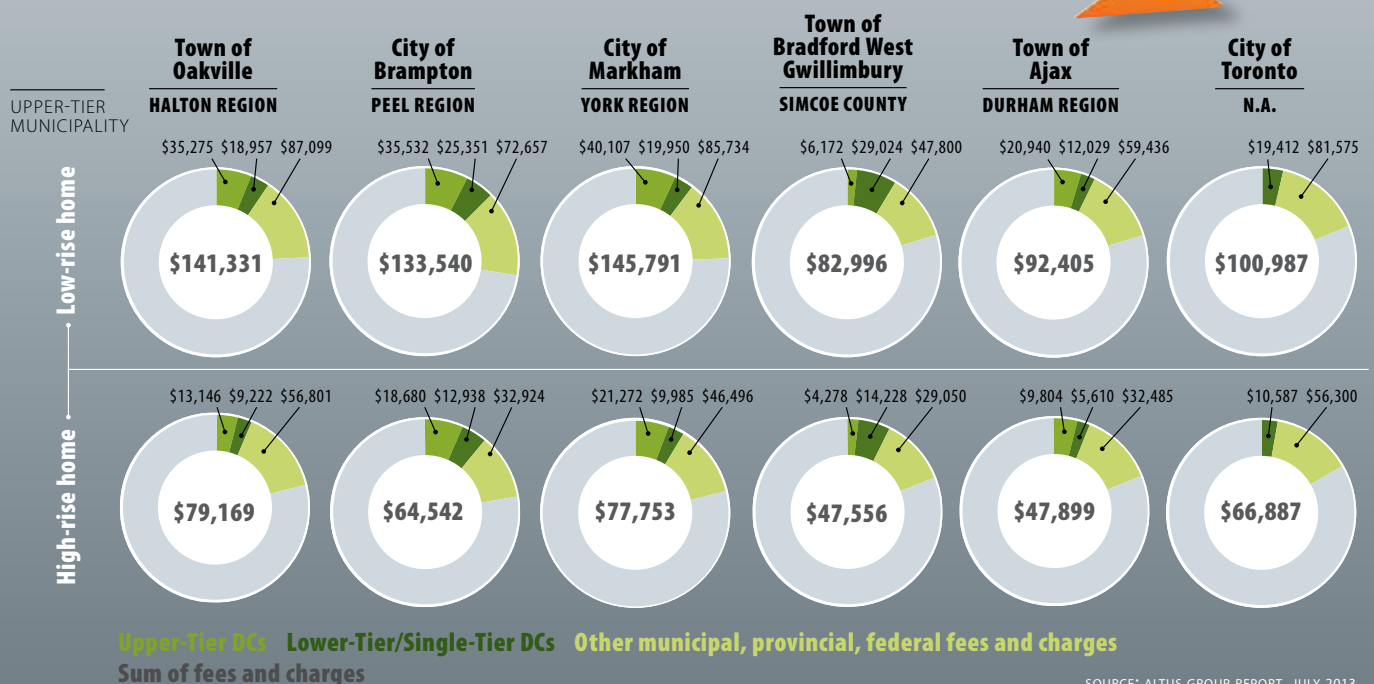
GETTING IT BUILT

The process of housing development, land acquisition through completion, for high-rise and low-rise structures.



SOURCE: BILD

Where you buy affects the amount of development charges you'll pay.



Distillery District evolves into a lively community

Ontario Municipal Board mediation helped ensure the reinvention of the historic area

Photographer Tally Greenberg loves life in The Distillery District. Greenberg, who moved to Toronto from Montreal four years ago, owns a condominium at Pure Spirit, a sleek tower at the corner of Mill and Parliament Streets.

“It was an impulse buy,” she admits. “I was shopping around to see what was out there, and then I saw this beautiful district and it reminded me of Old Port in Montreal.” At The Distillery, everything Greenberg wants is there. “I love it that I practically don’t have to leave home to enjoy all the good things that are here.”

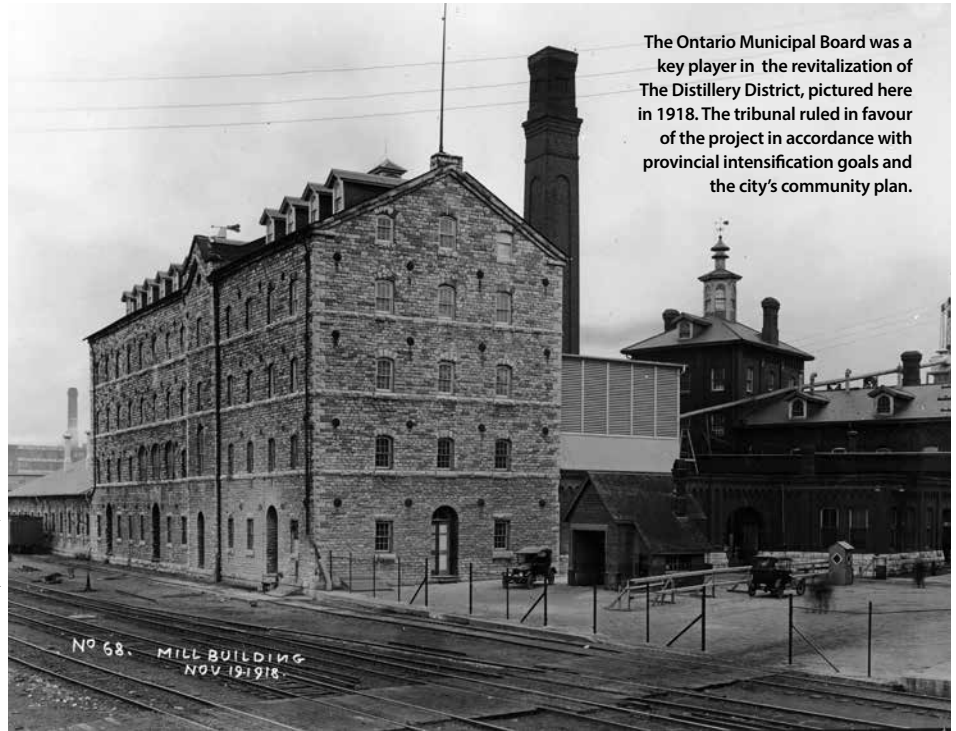
A post-industrial urban pocket that had fallen into disrepair, The Distillery District has been transformed into Toronto’s new treasure. As the site of the largest assemblage of Victorian-era industrial architecture in North America, it’s a showcase destination for arts, culture and entertainment for tourists as well as locals.

Jes McCoy, an artist visiting from Edmonton, is intrigued by The Distillery’s industrial-imbued art installations. “Having interactive public art that you can actually engage with is super important,” she says, watching kids run along a reclaimed catwalk.

Things might have turned out differently for The Distillery District had it not been for the Ontario Municipal Board (OMB), the independent tribunal that adjudicates municipal development planning. The site’s adaptive reuse projects and community amenities came through contributions from its development team, Cityscape Holdings and Dundee Realty. These developers invested \$50 million to restore the red-brick Gooderham and Worts distillery buildings. They oversaw the addition of new restaurants, shops, galleries, theatres, offices and studios into the buildings. And they created the public squares, walkways and patios that make the area vibrant.

But the development team’s plan to build three condo towers — to generate the revenue needed to make this vast revitalization project economically viable — that ran into opposition from the city. Owing largely to objections to the height and density of the towers, the development got wrapped in red tape and construction was delayed for two years.

The builders ultimately took the application to the OMB, which ruled in favour of the development, as it supported the province’s intensifica-



The Ontario Municipal Board was a key player in the revitalization of The Distillery District, pictured here in 1918. The tribunal ruled in favour of the project in accordance with provincial intensification goals and the city’s community plan.

CITY OF TORONTO ARCHIVES / FONDS 1583, ITEM 68

tion goals and was in accordance with the city’s existing community plan.

“The OMB is an objective adjudicator of land-use disputes,” says Steve Diamond, a Toronto developer and lawyer who specializes in municipal law and planning. “It helps maintain integrity in the system.”

“But even where the OMB is not involved,” Diamond continues, “it acts as an important check on the system, because everyone involved is aware their actions could end up being reviewed by an independent tribunal, and that the decisions made by planners, ratepayers, developers and city council will be judged on the basis of what are good planning principles.”

The OMB plays an especially vital role in ensuring that municipal development is carried out in accordance with provincial growth plans, says Bryan Tuckey, president and CEO of the Building Industry and Land Development (BILD). “In adherence with Ontario’s Places to Grow legislation in 2006, the GTA development industry has re-calibrated its approach to intensify land use,” he explains. “Yet municipalities like Toronto are operating with outdated planning and zoning

bylaws that don’t reflect the public interest principles of the province’s Places to Grow plan.”

“This disconnect creates costly delays with development applications,” he adds. “It also pits developers against communities confused over necessary zoning changes and against local councillors who reject sound planning for political reasons.”

“The OMB is there for when decisions are made that don’t reflect much broader and larger policy directives,” says Diamond. “It ensures that local ward councillors are not just dealing with decisions without looking at the broader picture. The OMB is there to deal with the question of what is in the larger public good, and that often extends well beyond the local boundary.”

The Distillery District redevelopment was certainly in the public good. Just ask Ulla Jappinen, a salesperson for jewellery boutique Corktown Designs. “It’s a small community — the people know each other and support one another,” she says, standing in the doorway of the shop on a busy Saturday. “I also love that every building has a story. We don’t have many places like this in the city.” ■

Why do you come to The Distillery District?



TALLY GREENBERG
PHOTOGRAPHER AND AREA RESIDENT

"I love it that I practically don't have to leave home to enjoy all the good things that are here."



DEBBIE MILLER
ACCOUNT DIRECTOR, TORONTO TOURISM

"There are so many unique shops here. I love the shopping and food. This is Toronto's version of Old Montreal."



PORTRAITS: JERRY VOHRI

GLENN TOWERS
BUSKER

"It's very relaxed. I think the old streets help that. It's not shiny and polished. People relate to the funkiness of it."



BARBRA GUSTIS,
VISITING FROM THE U.S. ON BUSINESS

"We're considering coming here for a conference. I like it that not everything here is modern."

The OMB is there to deal with the question of what is in the larger public good, and that often extends well beyond the local boundary.

STEVE DIAMOND
TORONTO DEVELOPER



IF NOT FOR THE OMB...

Here are some other celebrated Toronto development projects that might not have come to fruition had it not been for the adjudication of the Ontario Municipal Board.



SEAN MARSHALL

Shops at Don Mills

was long negotiated and city council approved a settlement just two months before the case was scheduled to be heard at the OMB.

shopsatdonmills.ca/en/centreinfo/Pages/RetailDevelopment.aspx

Shops at Don Mills

Ontario's first "urban village," the Shops at Don Mills — located at Don Mills Rd. and Lawrence Ave. E. — comprises a central town square, a robotic water-and-light feature and a Douglas Coupland-designed clock tower surrounded by high-end shops, restaurants, offices and residences. The redevelopment plan saw the retail added first, which was approved by the OMB. The second phase, which adds residential and commercial to the area,

The Kings

The City of Toronto developed planning policies in the mid-1990s for the King-Parliament and King-Spadina districts, which stimulated substantial reinvestment in both areas, helping to transform and revitalize them. City council adopted the plans but residents and businesses appealed some parts to the OMB. Settlements later came back to council for approval. The Kings plan has guided the development of the thriving St. Lawrence and Corktown neighbourhoods in Toronto's east and the Entertainment and Fashion districts in the west. It also led to increased employment activity in both areas, helping lure younger residents downtown. Today King West and King East are among the city's places to see and be seen.

toronto.ca/planning/pdf/kingsmonit.pdf



Updated bylaws can connect vision and city building

The Province of Ontario launches consultation aimed at improving municipal land-use planning

When the provincial government introduced the *Places to Grow Act* in 2006, it spurred a significant shift in Ontario’s regional development. With a goal of guiding growth, the policy promoted intensification — urban development that went up, not out. The GTA is now seeing the execution of that vision and a significant shift to high-density development in the City of Toronto. At the same time, the plan has constrained the supply of developable land in the outlying regions and the unintended consequence of increasing new home prices.

“*Places to Grow* was a game changer,” says Neil Rodgers, vice-president of land development at Tribute Communities. “It’s changed how people in Ontario will live, how municipalities plan their communities and how our industry operates.” The building industry re-calibrated its approach accordingly, shifting from ground-related homes to high-density development.

Yet, many municipalities — despite being mandated by the province to update their official plans to reflect the new land-use directives — continue to operate with outdated zoning bylaws, he says.

“There is a significant disconnect there and it is creating conflict instead of having everyone work together to revitalize existing communities while building new ones for new

residents to enjoy.”

It’s a disconnect that has prompted Linda Jeffrey, Ontario’s minister of municipal affairs and housing, to launch a series of consultations this fall aimed at improving the land-use planning and municipal development approval process.

ROOM FOR IMPROVEMENT

“Ontario’s planning system has served us well, but there have been a lot of changes over the past decade,” Jeffrey notes. “We think it’s time for a refresh. So, we’re going to talk to municipalities, industry stakeholders and community groups about what’s working well and what we can do to improve.”

Rodgers, who is also chair of the land council of the Building Industry and Land Development Association (BILD), heads a group that will be providing industry feedback during the consultations. He says the province must do more to encourage municipalities to update zoning bylaws to reflect the intent of *Places to Grow* by pre-zoning and pre-designating lands where intensification meets the vision of the provincial plan.

Most municipal zoning bylaws are outdated and don’t reflect the future needs of communities within a region that will grow by up to 100,000 people and 50,000 jobs every year for the next two decades. This means landowners must apply to rezone land that is already

earmarked in their municipal Official Plans to meet housing and employment requirements of those communities.

The experience is typically adversarial, pitting developers against communities and councillors who might reject otherwise sound development plans for political reasons. Oftentimes the matter ends up before the Ontario Municipal Board for adjudication. This is one of the reasons why the building industry association has stated that “the OMB plays an essential role in our current development approval process.”

Jeffrey acknowledges the issues here. “There are communities in various states of readiness — some are up to date; some are very far behind. But it’s in their best interest to get their official plans up to date. It provides predictability to the development community, which wants to work where they know there aren’t going to be any surprises.”

The province has undertaken reviews of the land-use planning system before.

Since 2003, a variety of legislation, policies and plans have been introduced and changed. Some examples are the Greenbelt Plan, *Places to Grow* and the Provincial Policy Statement.

Just a few weeks ago, Jeffrey released two documents that specify what the consultations will cover, some of the questions she is seeking answers for, and how people can get involved.

“People tell us there are gaps in the system



ISTOCK.COM

and they're unhappy, so we want to ask people what they think — and before we make any changes we want to make sure we don't create any new problems," she says.

According to the consultation documents, predictability, transparency, cost-effectiveness and responsiveness to the changing needs of communities are the desired outcomes of the review.

From the development industry's perspective, those outcomes are important steps in the building of homes and businesses that people can afford. The consultation is also an opportunity to educate all participants in the public planning process — existing residents, future residents, municipalities, the building and development sector and the provincial government — and, says Rodgers, to make it all make sense to everyone involved. ■



123RF.COM

Outdated zoning bylaws cause headaches for renovators

New-home builders aren't the only ones struggling to deal with outdated municipal zoning bylaws. The problem is also causing headaches for the renovation industry.

If a renovator's work seeks to go beyond the existing land-use parameters for a particular property — say, the renovation will substantially increase the home's square footage or its height — the permit-approval process could be brought to a grinding halt. The permit application must go to a committee of adjustment for review, which can add 10 to 16 weeks to the timeline, and that's before the builder applies for and receives a building permit,

which can take several more weeks.

"This causes delays for a number of stakeholders, whether it's renovators, builders or the end users, who are the ones burdened with the cost," says Lefteris Karagiannis, chair of the Renovators Council of the Building Industry and Land Development Association (BILD). "Delays cost and inconvenience everyone, but especially the homeowner. It's a domino effect."

And it's another example of how outdated zoning bylaws are working against the provincial goals for intensification, an issue BILD plans to



123RF.COM

raise during the provincial consultations.

"The province mandates [intensification], but the municipality implements it, and there may be a disconnect in that regard," says Karagiannis. "It's definitely one of the challenges we face."

New parks enhance sense of community

Parkland dedication fees counter productive to intensification goals

Ada So watches her new puppy, Mika, rolling around on the ground on a crisp fall afternoon at Canoe Landing Park in downtown Toronto. So and her partner recently moved into a condominium at Concord Adex's development CityPlace, bordered by Bathurst Street and Lake Shore Boulevard, and the park has become a daily destination for them. "We love it here. It's super convenient," says So, who runs a small business from home. "The park was one of the reasons we decided to get Mika."

Canoe Landing, created by the developer through a parkland dedication agreement with the city, has proven to be a wonderful amenity, one that has helped in giving this cluster of condominiums a real community feel. For all new developments and redevelopments, builders are required to set aside land for parks, up to 5 per cent of the total area of the property being developed. And if extra land is not available — often the case in dense city centres — the developer, and ultimately the new-home buyer, pays cash-in-lieu of that parkland. This parkland fee rate is equivalent to 1 hectare of land for every 300 units in a building.

PARKLAND LEVY

Parkland dedication provisions are included in the provincial Planning Act and municipalities collect the land or the fee in lieu of land to fund the acquisition of parkland. However, the provincial provisions date back 40 years and 1981 was the last time any changes were introduced.

Times have changed. The provincial Growth Plan, introduced in 2006, encourage intensification, but the parkland provisions were created with low-density development in mind.

Using the same formula for a medium- or high-density development jeopardizes the feasibility of the project and adds another fee to the cost of buying a new home. In urban centres, land is expensive and there isn't a lot to spare so community-builders have to get creative "The excessive parkland dedication formula of 1 hectare for every 300 units is an outdated formula that threatens provincially planned urban intensification and the construction of new homes that people can afford," says Bryan Tuckey, president and CEO of the Building Industry and Land Development Association (BILD). In some municipalities, parkland fees can add up to \$20,000 to the cost of each home in

a high-density development.

"If you drive up the price of a new home by adding all these expenses, existing homes go up in value too because the new home sets the benchmark for affordability," explains Lyn Townsend, a partner at Toronto law firm WeirFoulds. Townsend, who specializes in planning and development, is the chair of BILD's Parkland Working Group. The group will raise the issue with city officials at upcoming government consultations regarding the update of the Planning Act, which grants municipalities the power to impose parkland fees.

Townsend's team will stress that hefty parkland dedication fees are counterproductive to achieving the goals of the provincial growth plan, which calls for intensification of existing built-up areas. Simply put, high fees discourage high-density development.

"If the government wants to achieve its intensification goals, there has to be something more persuasive [in the Planning Act], so a municipality will say, 'We understand we need to achieve these goals and we're not going to achieve them with parkland [fees] at the maximum,'" Townsend says. "A balance needs to be struck here."

BILD is suggesting municipalities cap their parkland dedications fees at 5 to 10 per cent of the value of the development site or the site's land area as was done in Toronto. There are municipalities handling parkland fees in "a fair manner," Townsend notes. But others, she says, are looking at it as "What is the maximum we can collect?" and operating on that basis.

She is advocating for more accountability and transparency in how parkland fees are imposed; municipalities seeking to increase their levies have to show where the money is going. "There's no requirement under provincial legislation for them to do that," she says. "So the numbers get picked out of the air."

The way complete communities are planned and built in Ontario has changed since the last time the provincial government reviewed the parkland dedication provisions. "This is why the province is saying we need to sit down and talk," says Townsend. "It wants to examine whether the Planning Act needs to be changed to keep pace with these changing provincial goals.

"We think there needs to be a recognition that land values are escalating and the formula [for parkland fees] is out of touch." ■



Downtown residents Ada So and John Walsh enjoy their area's Canoe Landing Park, paid for as part of their new home through a parkland levy.

JEREMY KOHIN



Here are three precious parks that were funded and created as a result of new residential development:

1 ANGUS GLEN WEST VILLAGE

Wide-open spaces and parkland are the focal points at Kylemore Communities' Angus Glen West Village, which won BILD's 2013 award for Places to Grow Community of the Year. Homes at this master-planned community in Markham are close enough to the Angus Glen Golf Club to view the course's fairways and are surrounded by natural spaces. As part of the parkland dedication provisions, the community enjoys numerous walking and biking trails connecting the golf course with the community. The West Village is built on Stollery Creek, a re-established tributary of Bruce Creek.

kylemorecommunities.com/angus-glen

2 CANOE LANDING PARK

A 20-acre park near Spadina Ave. and Lake Shore Boulevard W., Canoe Landing features two multi-purpose sports fields and numerous walking paths. It was created for the area's new residential development and funded through a parkland levy. Canoe Landing was developed by Concord Adex and designed by landscape architects Phillips Farevaag Smallerberg in conjunction with landscape designers The Planning Partnership, public art consultant Karen Mills and author and artist Douglas Coupland. Among the public art installations on exhibit at this urban park are several pieces by Coupland, including a canoe large enough to accommodate visitors, so they can view Lake Ontario over the Gardiner Expressway.

cityplace.ca

3 MOUNT PLEASANT VILLAGE

Mattamy Homes' Mount Pleasant Village — a 629-unit project in Brampton — is a suburban development designed as an "urban village." It features a diverse range of park types and sizes that were added to the community as a result of the parkland dedication provisions allowing for flexible and diverse recreational neighbourhood programs, with everything within a five-minute walk of all the homes in the community. There is also an extensive network of trails and pathways linking the parks and open spaces with the area's natural surroundings. More than 120,000 trees and shrubs will be planted to entice more birds and wildlife.

mattamyhomes.com/GTA/Communities/Brampton/Mount-Pleasant



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WHERE ARE ALL THE PLACES TO GROW?

DEVELOPMENT REGULATIONS A HINDRANCE TO HOUSING AFFORDABILITY AND CHOICE

IT'S HARD NOT to notice all the condominiums cropping up across the GTA these days.

Condos accounted for 62 per cent of new-home sales in the GTA in 2011, according to RealNet Canada, a Toronto-based national provider of real estate information services. And it seems that everywhere you look, there are construction cranes and new residential towers dotting the urban horizon. What isn't as visible, however, is the lack of subdivisions being built and the dwindling availability of new low-rise houses.

A decade ago, 75 per cent of all new homes sold in the region were single-family houses. In 2011, low-rise housing comprised just 38 per cent of new-home sales, largely the result of provincial policies aimed at protecting greenbelt lands and promoting intensification.

The GTA housing market has been reshaped fundamentally by provincial policies introduced in 2006 as part of the Growth Plan for the Greater Golden Horseshoe, a region in Southern Ontario whose boundaries extend south to Lake Erie and north to Georgian Bay.

With the Greenbelt Plan, the province has aimed to protect 1.8 million acres of green space, and its Places to Grow plan has designated areas best suited for intensification.

Commenting on the dearth of low-rise houses, Paul Golini, chairman of BILD (Building Industry and Land Development Association), says, "People can't see what doesn't exist anymore." BILD represents more than 1,400 member companies in the land development, homebuilding and professional renovation industries in the GTA. "The homes under construction

CITY CENTRE OPTION:



WHAT DID YOU BUY AND WHY?

Elaine Viterbo — 40, manager, North 44° restaurant

Where did you buy? Upper Unionville, a 1,700-home community at Kennedy Rd. and 16th Ave.

Tell us about your place. It's a 2,300-sq.-ft. detached home on a 34-foot lot.

What appealed to you? For six years my husband and I have been living in a townhouse in Richmond Hill, but the pricing there for a detached home is ridiculous. We paid \$720,000 for the home at Upper Unionville, so the price was appealing. So is the location — it's easier to commute to work. Plus, it's near my aunt's house and she can take care of my two-year-old. And Unionville is a nice community that's still growing.

Why a low-rise home, not a condo? My husband really likes having a backyard, even though you have to mow it, and there's the maintenance of the home itself. But it's also just the freedom; you don't have to use an elevator. And we look at condos as a whole bunch of people living in one space.

Why did you buy new, not resale? I like the thought of being the first person using the bedroom and bathroom; being able to create something we want, not having to say, "We like the house except for this, but maybe we can renovate it to be that way"; being able to pick our own finishes — the builder had its own décor centre, so we chose the décor ourselves, and it suited our tastes; also, the smell of a new home (it's like buying a new car).

When do you move in? August 2013. We visit the site weekly to see what stage it's at. But it's still just dirt at the moment.

today were sold to the homeowner a few years ago. The industry is worried about the balance in housing options and the affordability of new homes in the future," says Golini.

The shift from low-density to high-density housing has been directed by provincial intensification policies encouraging a more sustainable approach to urban development. Homebuyers want to choose the type of home that suits their lifestyle through the various stages of life — and choice in the low-rise market is diminishing.

"There just hasn't been the availability of land when it comes to low-rise product," Golini explains. "Not only is the low-rise price index the highest it's ever been — \$609,369 [this past] August — it's also driven the market toward highrise. And if you're a first-time buyer, that seems to be your only option."

There has also been plenty of resistance to the intensification policy in the GTA at the municipal level, delaying approvals of condo projects and pitting developers against community groups opposed to the introduction of denser forms of housing in their neighbourhoods.

"Local interests are not always aligned with the province's goals when it comes to growth and intensification," Golini notes. "Not everyone is ready to accept this new form of living."

The development industry has been operating in accordance with the provincial growth plan, says Golini. But six years in, it has become clear that the policies have had an adverse impact on homebuyers, he says, creating severe constraints on land availability and resulting in limited housing options and ever-increasing prices.

SUBURBAN OPTION



WHAT DID YOU BUY AND WHY?

David Porter — 39, condo-garden designer, Toronto Condo Garden

Where did you buy? River City, Phase One, King St. E. and River St. (the first residential project in the new West Don Lands precinct)

Tell us about your place. It's a one-bedroom, 762-sq.-ft. corner unit on the 12th floor, with north- and west-facing views.

What appealed to you? The amazing and unobstructed view of downtown. The second reason was value — it was \$437,000, including one parking spot and a locker. This worked out to \$525 per square foot, compared to the downtown core, which is five minutes away by streetcar, where condos are going for about \$700 per square foot. I thought it was a cool little pocket of the city.

Why a condo, not a low-rise home? I travel quite a bit and I like walking out the door and not worrying about it, so it fits my lifestyle. Although a backyard garden can be nice, I do love gardening on a balcony or a terrace. So easy to maintain and change up.

Why did you buy new, not resale? I'm not big into resale.

That's part of the fun of buying new construction — actually watching it, being able to pick all your finishes and then seeing it go from nothing into something.

When do you move in? Next summer. They've just topped off my building and I can see there are windows being installed, so they seem on schedule.

New homes sold in GTA 2001 vs. 2012



SOURCE: REALNET CANADA INC.

“Places to Grow was designed to put tension in the system to promote higher-density development, and that tension is there,” says BILD president and CEO Bryan Tuckey. “But you wonder if the balance has been shifted too far.”

With an estimated 100,000 people moving to the GTA each year, Tuckey notes that the industry recognizes that the lack of affordable housing options for new and first-time homebuyers is a serious issue in the GTA, and wants to be part of the solution. “Our industry plans and builds about 40,000 homes every year to meet the demand from first-time homebuyers, the aging demographic, immigration and the changing family formation.”

The challenge is getting political and community support to build them. Many municipalities have outdated zoning bylaws that don’t conform to Places to Grow and don’t include intensification targets, says Tuckey, resulting in further delays, as rezoning is required before construction can begin on higher-density projects.

“I interact with many of the best developers in the city and they all feel that the approval process gets bogged down at the city level,” says Barbara Lawlor, president of Baker Real Estate, a leading brokerage firm in the GTA.

“We need to see more streamlining when it comes to the red tape and the layers of regulation,” Golini agrees,

noting too that excessive development charges and parkland requirements create hindrances that contribute to higher home prices.

BILD is determined to ensure the 68,000 hectares of whitebelt lands — the area between the GTA and the greenbelt — are preserved for growth past 2031.

Though the whitebelt was intended to function as an urban reserve that would accommodate future growth in the region — whose population is projected to spike from 6.3 million to 8 million by 2031 — many municipalities have been restricting development of these lands.

“If the province was able to give a clear statement regarding the whitebelt and its long-term future,” says Tuckey, “it would go a long way to helping the implementation of Places to Grow in the GTA.”

This is the first in an 8-part series sponsored by BILD.



SHARING A VISION FOR A NEW CITY

WHAT HAPPENS WHEN YOUR NEIGHBOURHOOD HAS DEVELOPMENT POTENTIAL?

MANY GTA RESIDENTS may not know that they have the power to help shape new developments in their neighbourhoods.

Whether it's for a proposed transit line or redevelopment of pockets ripe for revitalization, there are opportunities to get involved in the planning process. In fact, becoming informed about the process of planning is key, says the City of Toronto's chief planner, Jennifer Keesmaat.

"There needs to be room for movement...[and] room for change, and the planning process can facilitate those conversations."

For every development application, the provincial Planning Act sets out rules for holding public meetings to discuss the proposed vision. BILD's president and CEO, Bryan Tuckey, says the public meetings to discuss proposed developments are beneficial when participants "come with an open mind to listen and learn."

"Developers and builders bring their teams of experts to explain the vision so that the local councilor and the local residents understand how it came to be," he explains.

Municipalities, of course, also play a big role in the planning process. They are required by the Province of Ontario to direct a minimum of 40 per cent of their projected population and employment growth to areas that are already developed.

This means that established communities like Mississauga City Centre, the village of Unionville and areas along the Yonge St. corridor, to name just a few, are mandated for change.

This requirement, among others, including promoting transit-oriented and balancing jobs and housing, are



ROGER YIP

Harry Eaglesham, who lives in Markham, has been working with the city's planners and developers: "I'm doing my share to deliver the dream for others."

A MAN WITH A PLAN.

Markham resident Harry Eaglesham jokingly describes himself as "Mr. Suburbia": he became involved in local planning issues about 20 years ago. That was when the Town of Markham (now a city) began consulting with residents on proposed plans to build new communities that would be more compact, mixed-use and transit-oriented. It was an unconventional suburban development approach at the time — and long before Ontario's Places to Grow initiative was introduced in 2006.

Eaglesham, a 64-year-old retired IT professional, lives in a century home on historic Main Street, in the heart of Markham's idyllic village of Unionville. He's also on the board and a past president of the influential Unionville Ratepayers Association.

Growth in the area is increasingly being redirected, notes Eaglesham, from farmland and toward Markham's existing communities. "The character of existing neighbourhoods is changing dramatically," he says, "and not necessarily for the worse." A large part of that urban intensification is apparent just south of Unionville and across Highway 7, within Markham Centre — the city's purpose-built "downtown," conceived in the mid-1990s by American architect and planner Andrés Duany.

"There are widely held concerns that bringing lower-priced condos into the community will have a negative impact on property values and negative societal impacts," says Eaglesham. "Of course, history has shown that property values are going up."

His biggest concern about intensification is the gap between development approvals and the construction of the infrastructure required to support it. "Here we are in Markham, where intensification is going gangbusters," he says, "and infrastructure, specifically transportation, is going at glacial speed.

"I would love to move to the Markham Centre of the vision of 20 years ago, but it's not available to me. It's not built yet." The "work-play" options that accompany "live," he explains, have not yet arrived.

For now, he's staying put but will continue working with the city's planners and developers through his involvement with the local ratepayers group. Says Eaglesham, "I'm doing my share to deliver the dream for others."

then incorporated into regional and municipal official plans and zoning bylaws. With these documents it is clear when, where and how development takes place.

Developers like Martin Blake, vicepresident of Toronto-based The Daniels Corp., recognize the importance of having the intensification rules in place, clearly and consistently established, so that everyone can move forward in a positive way.

“I believe that consistency helps to level the playing field and allows residents, developers, municipal planning staff, councillors — everyone — to understand where things are going and what the ultimate goal is,” says Blake,

whose company’s residential towers are home to thousands across the GTA.

Building for the millennium doesn’t always match outdated bylaws that haven’t been updated for decades. Sometimes communication breaks down.

There have been cases when town or city staff endorse an application, but council denies it. If a development application isn’t endorsed by both, the land owner has the right to appeal the decision to the Ontario Municipal Board, which removes local political pressure and renders decisions in accordance with the Planning Act.

Sometimes, it is the residents and planners who disagree. “The very first and highest priority for city planners is

to represent the public interest,” says Keesmaat.

But, as she points out, making a recommendation in the public interest sometimes means that a municipal planner and the neighbourhood may disagree on a particular issue because the planner also represents the much broader community interest. Public transit is one such issue that needs to be better understood in a larger context.

Blake stresses the importance of community consultation and support before proceeding with intensification “We spend our time with the community to understand its hopes and goals before we go forward to present a project,” he says.

Ultimately, the aim is to develop a proposal so compelling that people from the community will, literally, buy into it.

“When you think about people who are going to be your end-users — the people who will live in those buildings — you want them to be from the community,” says Blake. One of the key outcomes of intensification is to create opportunities for residents to live in a community their whole lives as their needs change.

Some issues, including intensification, can create a divide between local resident aspirations and the bigger planning picture for the community, but Keesmaat is optimistic.

“If it’s a good process, you learn something and you think differently at the end,” she says.

After all, she says, decisions on how to invest in a sustainable city and improve quality of life are made best when people come together with the entire city in mind.

LISTEN AND LEARN

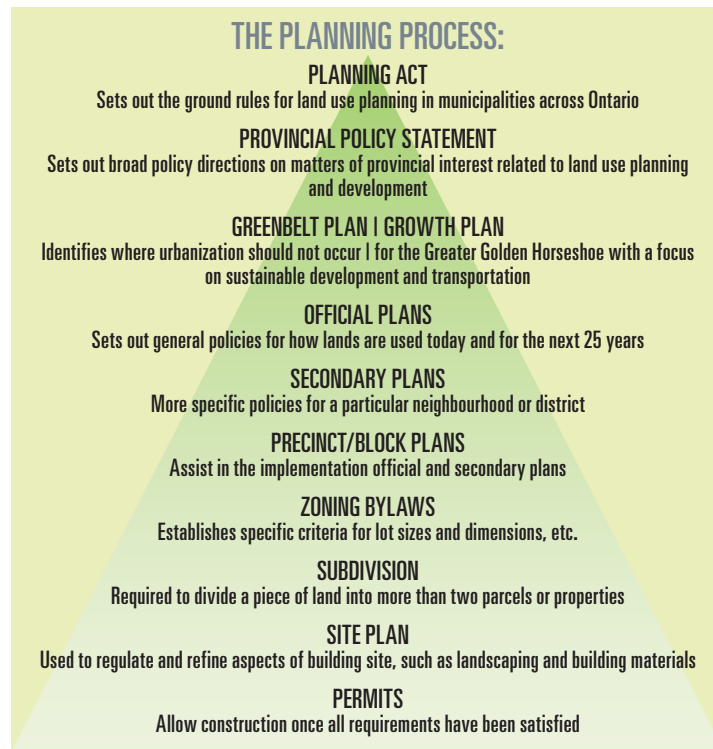
Residents can help shape the look and feel of new developments by becoming involved in the planning process.

All development projects follow rules and regulations set out by various levels of government, from the proposal stage right through to the actual building phase.

The planning process in Ontario provides an open public forum that is dependent on your awareness of and engagement with local issues.

To learn more, check out these resources.

- Ministry of Municipal Affairs and Housing (MMAH) mah.gov.on.ca
- Places to Grow placestogrow.ca
- Ontario Municipal Board (OMB) omb.gov.on.ca



This is the second in an 8-part series sponsored by BILD.



41,292 NEW HOUSING STARTS
A key to economic growth in communities all around the GTA!

193,300 JOBS CREATED IN 2011
The new home construction and residential renovation industry is one of the largest employers in the region!

\$10.1 BILLION IN WAGES
These wages show up as purchases all over the GTA, contributing to the overall economy!

\$24.6 BILLION IN INVESTMENT VALUE
New home construction and residential renovation is the largest single wealth-builder for many GTA families!

BUILDING A GREATER GTA

one home at a time

The residential construction industry is essential to the economic foundation, job creation and long-term prosperity of the Greater Toronto Area!

For details, visit bildgta.ca or renomark.ca

BUILDING A HOME, FROM DIRT TO DOOR

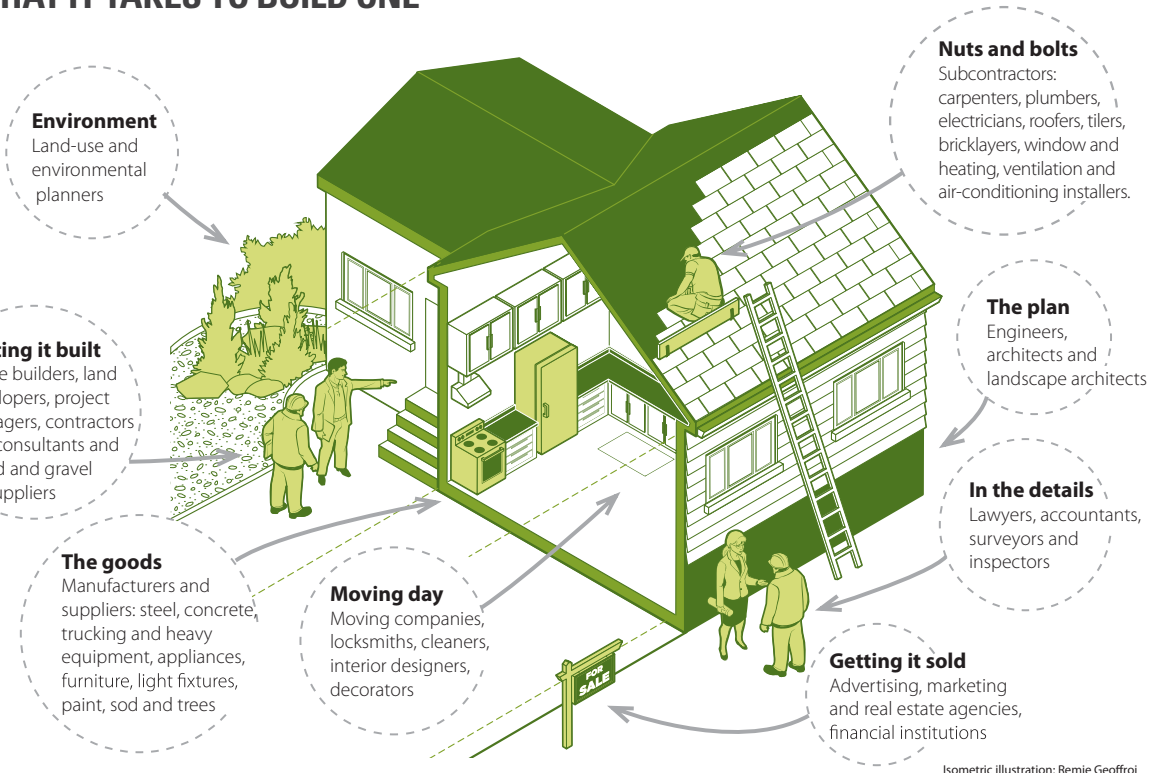
NEW-HOME CONSTRUCTION EMPLOYS THOUSANDS AND CREATES A THRIVING INDUSTRY IN THE GTA. HERE'S WHAT IT TAKES TO BUILD ONE

BY THE NUMBERS

Economic impact of the land-development, home-building and professional-renovation industry in 2011:

| | |
|-----------------------|--|
| 41,292 | New housing starts |
| 193,300 | Jobs in new-home construction, renovation and related fields |
| \$10.1 billion | Wages generated in the construction and renovation fields |
| \$24.6 billion | Construction value |
| \$ 6.5 billion | Total federal and provincial government revenues |

Source: Canadian Home Builders Association



Isometric illustration: Remie Geoffroi

BOAZ FEINER: LOW-RISE



GREG PACEK

Boaz Feiner: Building a home can take 30 to 34 weeks from excavation to construction.

Boaz Feiner, president of Geranium Homes, a company that has built more than 7,000 houses over the past 35 years, says it's a "mass co-ordination effort" to build a home. According to the 2012 BILD Home Builder of the Year, typically around 200 people work on building a single home.

FIND A SITE

Given the scarcity of developable land in the GTA, it's becoming increasingly difficult to find sites, says Feiner. "Low-rise builders are starting to look farther afield than they would have historically looked."

But location remains a key consideration when looking for good-quality sites — those that are close

to transportation, shopping and other amenities.

PREP WORK

Once a suitable site is found, the real groundwork begins. "We'll spend many months working on our contracts, scopes, research and development, getting all the approvals," Feiner explains. "We coordinate efforts, so that when we finally put the shovel in the ground, it's like pushing the Go button."

TIE IT IN

If the new home is a greenfield development — a planned community on previously undeveloped land — the builder must tie in the subdivision with municipal services such as

sewer, water and electricity, and also oversee the creation of new roadways, streetscaping and parks. Developers typically cover the up-front costs of doing the preliminary servicing work on pioneer sites. “We come up with the money and get paid back a portion of that over time, as we and other builders start connecting to the services,” says Feiner.

BIG DIG

For high-volume home builders like Geranium, the construction process is streamlined and efficient. “When we go into the ground, we’ve already determined any issues we might face and we come up with a strategy to resolve them,” Feiner says. “So when we start, it goes quickly. From excavation to foundation to framing to the roof — all of it has been engineered and approved.”

Feiner is a fan of prefabricated construction elements, such as factory-made wall panels, flooring and roofing systems. Prefabricated components make the construction process more efficient and environmentally friendly, he notes, ensuring quality control that results in a better-built home.

MASS CO-ORDINATION

It takes between 30 and 34 weeks to build one of Geranium’s 40-foot homes, from excavation through to construction completion. All in all, more than 100 companies are involved in putting together a home, Feiner estimates, from consultants for architecture, engineering and approvals, to the trades doing the construction, from the concrete pourers, to plumbing, heating and electrical contractors.

ALAN VIHANT: HIGH-RISE



THE RIGHT SITE

Being in a “hot” neighbourhood, with restaurants and walkability, is great, but developers willing to pioneer yet-undiscovered locales can benefit from lower land costs, which translates into more affordable condos. “We’re always looking at locations where we can get a pricing advantage,” says Vihant.

COMMUNITY BENEFITS

Developers can apply to rezone land. In Toronto, communities can receive benefits like libraries, recreation centres and streetscape improvements in exchange for increases to height and density.

As an example, at Pace, Great Gulf’s project at Dundas and Jarvis, Vihant notes that the builder has devoted an entire floor of units as live-work studios for use by the non-profit organization Artscape.

FEEDBACK/CONSULTATION

Once the developer and its engineering and design teams come up with preliminary plans for the condo, the builder

will meet with area councillors and planning staff to get feedback. They typically meet with community members as well. “You have a dialogue with key stakeholders to figure out what is acceptable about the project,” Vihant explains. And, of course, “sometimes you just can’t make everyone happy,” he says.

ON SALE

Some builders will bring a project to market even before rezoning is in place or final design details are worked out. Their urgency is understandable: banks usually require that up to 70 per cent of a project be sold before they’ll finance its construction.

“The way we sell projects is changing; the time frame is getting longer,” says Vihant, noting that new home buyers are a mix of investors and end users.

DIG IN

Of all stages of construction, digging takes the longest. “The hardest part

is getting down and back up again to grade level,” says Vihant. He points out that it took a whole year to get to the bottom of the six-level pit for One Bloor — a 75-storey project at Yonge and Bloor — and it will probably take his company “just shy of a year to come back out of the ground.”

But once the podium, or base, of a condo is built, the pace of construction picks up considerably. “On a typical condo project, you can go up a floor a week,” says Vihant. He estimates that at least 400 to 500 people are involved in the construction of a condo, including consultants, construction trades and suppliers delivering materials to the site.

ROGER YIP

It can take up to 500 construction workers to build a high-rise condo, says Alan Vihant.

As senior vice president of high-rise development for Great Gulf Homes, Alan Vihant estimates that he’s helped build thousands of homes within 40 high-rise developments during his career.

This is the third in an 8-part series sponsored by BILD.

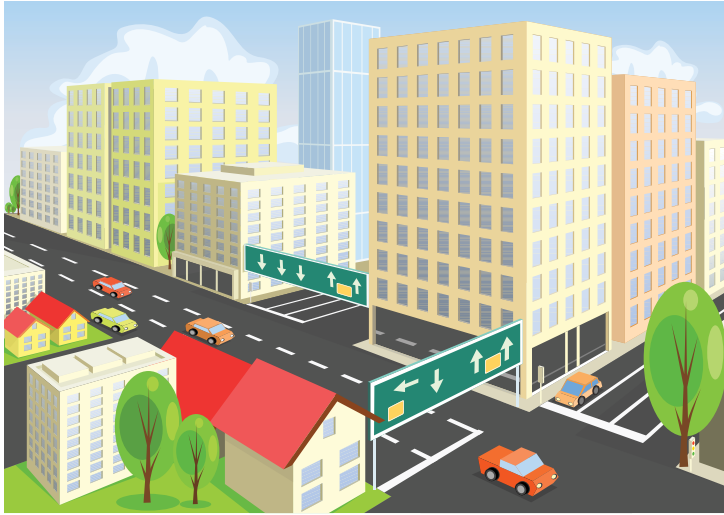
EDUCATION IS THE KEY TO INNOVATION

The land development, home building and professional renovation industry is constantly evolving as policies, building technology and marketing techniques change. BILD holds numerous educational seminars, panel discussions and training programs so that the industry can deliver the highest quality homes for residents of the GTA. *So why is education so important to us?*

BILD BECAUSE THE GTA IS OUR HOME TOO

URBAN HUBS: THE NEW NORMAL

THE TRADITIONAL CANADIAN HOME AND NEIGHBOURHOOD ARE EVOLVING



“LIVE, WORK, SHOP, PLAY IN THE SAME NEIGHBOURHOOD — THIS IS THE STRENGTH OF THE NEW PLANS.”

CLIFFORD KORMAN ARCHITECT

homes are getting smaller. According to the Canada Mortgage and Housing Corporation (CMHC), in 2000 the average size of a singlefamily, detached home in Canada was 2,266 square feet. In January 2012 a CMHC survey reported that the average new home was 1,900 sq. ft. in size, which is expected to continue decreasing.

Following this new norm are the units in high-density dwellings such as condos and apartments, which average 800 square feet. But as spaces shrink, efficiency and functionality will grow.

Developments are changing, from single-use buildings to mixed-use. “Live, work, shop, play in the same neighbourhood — this is the strength of

THE GROWING POPULATION density in Toronto and its suburbs is redefining the traditional Canadian home, says Toronto architect Ian MacBurnie.

“The city is growing, the GTA is growing, and we’re fortunate that it is,” says MacBurnie, an associate professor at Ryerson University’s department of architectural science. “It’s good economically [and] obviously providing opportunities for employment in the construction sector, real estate and [other] areas.”

More and more people in Toronto and its suburbs are living in high-density, high-rise buildings. According to 2011 census data for the City of Toronto, released this past September, from 2006 to 2011 high-rise apartments increased as a proportion of all dwellings in the city, by 13 per cent. Further, over the last five years, the fastest-growing region in Canada is Toronto and its suburbs — specifically Mississauga, Brampton, Ajax, Markham and Vaughan. According to the Ontario government’s recent projections, by 2036 the population of the

GTA will increase by 44.6 per cent, to about 9.2 million.

As MacBurnie points out, that means the universal desire to own a house poses a problem in the GTA, where the population continues to grow and land available for building new homes is dwindling.

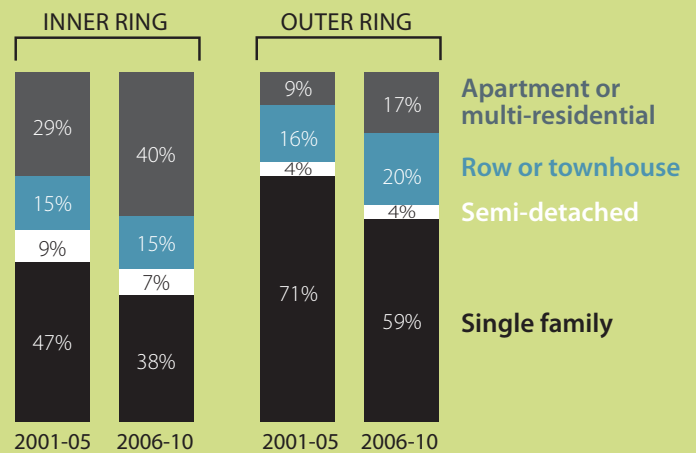
In 2006, Ontario unveiled its 25-year Places to Grow program, starting with a growth plan for the Greater Golden Horseshoe region. The initiative aims to preserve land and foster smart growth by encouraging municipalities to build dense, mixed-use communities close to public transit and infrastructure.

Less land and more people means the traditional notion of home will have to evolve. While single-family homes will still exist, fewer of them will be built and prices will increase. The idea of “the good life as being a house with a car in the garage and a backyard,” says MacBurnie, will need to change.

The evolution is already in progress. Fewer people are living in single-family detached homes and those

Housing construction starts by unit type

Are things really changing? Housing construction is one indicator. Residential densities have increased in both the cities and suburbs, evident by the types of construction taking place across the Greater Golden Horseshoe.



INNER RING: Since 2006, 65 per cent of all housing units being constructed in the Census Metropolitan Areas of Toronto, Hamilton and Oshawa were apartments or town houses.

OUTER RING: Since 2006, 37 per cent of all housing units being constructed in Census Metropolitan Areas such as Barrie, Kitchener-Waterloo and Guelph were apartments or town houses.

SOURCE: ONTARIO MINISTRY OF INFRASTRUCTURE AND THE CANADA MORTGAGE AND HOUSING CORPORATION

the new plans,” says Clifford Korman, a founding partner and architect at Kirkor Architects & Planners, which is based in Toronto. “The new norm [is] putting people in core areas where you have all the existing facilities.”

High-density developments are being built in areas close to transit lines, retail centres and green space. In Toronto’s Liberty Village neighbourhood, for example, new condos under construction are mere steps to a grocery store, restaurants and cafés, fitness facilities and the King West streetcar line, as well as a short drive to major highways.

This same smart development is showing up in the suburbs, where Korman says his firm is building “urban nodes,” or hubs of activity, in municipalities such as Markham. These GTA municipalities are starting to embrace smaller spaces and high-density dwellings, according to 2011 data from RealNet Canada, a real estate research firm headquartered in Toronto. Of newhome sales in Vaughan, 47 per cent were high-rises; in Markham it was 52 per cent; and in Mississauga, it was 76 per cent.

MacBurnie points to Mississauga as a good example of a municipality that has met the challenges of transitioning their community.

“Mississauga [has moved] from a post-war model of car dependents and low-density subdivisions to one that is fully embracing smart initiatives of higher-density development [and] investment in transit,” says MacBurnie.

“What you’re seeing is an evolution in thinking.”

COMPACT CONVENIENCE

YOUNG FAMILY SAYS SMALL SPACE IS JUST WHAT THEY NEED



ROGER YIP

Sony Giwa is a 29-year old advancement officer at the Canadian Institute for Advanced Research. She lives downtown with her husband and baby daughter. Their Liberty Village two-bedroom condo may not boast the same square footage as a detached home but with restaurants, shops, entertainment and public transit just steps away, space matters less.

Where did you move? To a two-bedroom condo in Liberty Village from a condo in Mississauga.

Why did you choose the neighbourhood? Liberty has everything we need. There’s a grocery store right here that’s open 24 hours; there’s an LCBO, coffee shops, restaurants.

What appealed to you? The fact that it’s in Liberty; the fact that it’s a two-bedroom. Ideally, we would have liked to have had a two-bedroom plus den just because my husband does work from home sometimes, but the two-bedroom space is big enough for us while we have a young child. We really liked this building in particular. I liked the builders. In terms of the unit, I like that it’s a split layout — one bedroom is on one side and the master bedroom is on the other side. It also has a walk-in closet and a larger-size shower.

The finishes were done really nicely. It has the island, which has been really helpful for when we’re entertaining. Everyone tends to congregate around the island when we have people over. Space-wise and the actual layout, it seemed like it was a good use of space. We looked at some [floor plans] and they had a really long hallway or corridor — wasted space. Closet space was definitely key, and the storage unit was also a good size.

Why a condo? We really wanted to stay in the downtown area. To be able to afford a house right now is not something in our books, but a condo actually works out well for us — we don’t have time to take care of a lawn or shovel driveways in the winter. . . . A condo offers us that kind of ease.

What’s next? We’re renting the place we’re in now. It was our first time living in Liberty together, so we wanted to make sure it was definitely a spot we’d want to purchase and own. There are buildings that are by Pure Plaza [Corp.]. They’re just going up right on East Liberty. They’re stunning units. We’re waiting to get into one of those units. We’re looking for the two-bedroom plus den. We’re going to see what the prices are and figure out if it makes sense to buy or rent for the next year.

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BECAUSE THE GTA IS OUR HOME TOO

DON'T WANT TO MOVE? GO FOR A RENO

HOMEOWNERS CAN UPGRADE, EXPAND PROPERTY AND STAY IN THE NEIGHBOURHOOD THEY LOVE

KENZIE CAMPBELL SEES the value in staying in one place — except when he's on the phone. "I do my best thinking while walking around," he says, laughing.

He has just stepped away from his company's booth at a recent home show to offer advice on home ownership and renovations — two topics he knows a lot about. Campbell is the general manager of Royal Home Improvements, an Etobicoke-based renovation company that's been operating in the GTA for 40 years. If selling your home doesn't seem to make sense, he says, think about investing in a renovation that can add comfort and value to the place.

In Canada, home renovation is a huge industry. In 2011, Canadians spent \$66 billion on renovations. In the GTA, residential renovations accounted for 101,700 jobs, generating \$5.3 billion in wages.

"If you're in an escalating marketplace, where all properties are rising equally, you sell one and buy another. You pay all of the municipal fees, the land transfer [tax and] moving fees and you probably will still want to renovate."

That's a lot of money that could go toward making improvements to the home you live in now, he points out. "What would you get? I'll tell you — a beautiful kitchen [with] top-notch wood, solid granite countertops, the best lighting, beautiful tile, nice appliances. You'd get a swank bathroom — all the modern finishes."

When making major changes to your home, Campbell says, it's important to trust the advice and workmanship of the people doing it. One of the best decisions you can make is to go with a trusted, professional renovator, he says.



GREG PACEK

Lisa Sibbick discusses reno plans with Royal Home Improvements project manager Aric Bagshaw. "They really wanted the job — and it showed," she says.

FIND A PROFESSIONAL

THE SIBBICK FAMILY ARE SET TO MOVE BACK INTO THEIR PROFESSIONALLY RENOVATED HOME IN BRAMPTON

Hiring professional renovators can save you a lot of time and money in the long run. They have the connections to all of the people you need, such as engineers, arborists and planners. If you need a permit, for example, they know where to go and who to talk to.

For Lisa and Edward Sibbick, who decided to update their small three-bedroom home, renovations began on Sept. 4. Their property sits on just under an acre of land in northwest Brampton. Lisa hired Royal Home Improvements to build a 1,000-sq.-ft. extension and renovate the entire house. The couple and their daughter, Kassie, should be able to move back into their "new" home Dec. 19.

"We have an old ranch bungalow. It was 1,100 sq. ft., so it was a tiny little house and I wanted something bigger," says Lisa. "We did look around to see if we could buy something in the area, but trying to find an acre in Brampton for something we could afford — no way! It was worth our while financially to renovate. We get to keep the nice-sized yard and now have a nice house on it.

We had to contact an architect first to provide all the drawings, which are needed for a permit. Then I looked around for a contractor. We chose Royal Home Improvements. The big thing for me was they made it a point to come to the house and to sit down and answer in person any questions I had — not on the phone and not by email. It made [us] feel like they cared, [that] they really wanted the job — and it showed.

My advice to others considering renovation: Make sure you are dealing with professionals. It makes a big difference. It gives you peace of mind.

In fact, Campbell is part of a group that helps you find one. In addition to his full-time job at Royal Home Improvements, he is on the board of directors for the Building Industry and Land Development

Association (BILD) and chairman of its Renovators' Council.

"We understand that the industry has some potential bad optics, but we know that by banding together, networking and using the educational

component of an organization like ours, and having that code of conduct, we changed the lay of the land a little bit," he says.

To become a renovator member of BILD, they are required to abide by

“USING RENOMARK TO FIND A CONTRACTOR MEANS ‘YOU HAVE THE KNOWLEDGE THAT THE PERSON HAS BEEN VETTED ALREADY.’”
KENZIE CAMPBELL CHAIRMAN, BILD RENOVATORS’ COUNCIL

a renovation-specific code of conduct that includes providing written contracts, offering a two-year warranty and carrying a minimum of \$2 million in liability insurance. The association screens potential candidates and constantly reviews and monitors the performance of its member renovators. BILD recently relaunched RenoMark.ca — the website for the

11-year-old Reno-Mark program it founded, which connects consumers with professional renovators across the country.

Campbell sees nothing but benefits in using RenoMark to find a contractor. “You have the knowledge that the person has been vetted already. It’s still important to do your homework to find the right fit,” he added.

In essence, what this all translates into is a great source for consumers to find the right contractor and a RenoGuide to help them through the process. One such is BILD’s renovator of the year, Paul Gallop. Gallop’s Etobicoke-based company — Men At Work General Contractors — is another long-standing renovation company in the GTA, but that hasn’t stopped the firm from modernization, including keeping up with technological developments.

“There’s no single component that makes for a good renovator or a happy customer, but communication is one of the biggest,” says Gallop. Men At Work uses a webbased project management system that allows customers to log in and view online all the details

pertaining to their project, including official documents, drawings and revisions, quotations from suppliers and subcontractors, and technical specifications for appliances and fixtures.

It’s the kind of innovation that has led to the recognition of his company as an industry leader. However, Gallop notes that the use of technology isn’t the only indicator of a good renovator. He points back to RenoMark.

“Renovators who want to strive for that higher level are participating in that program,” he says. “But until the adoption of that program and the more recent major promotion of it, there have been very few things that consumers can do to distinguish the pros from the not-so-pros.”

That’s not the case anymore, Gallop says. Now, consumers can connect with the pros through RenoMark and take full advantage of the place where they already live.

This is the fifth in an eight-part series sponsored by BILD.



CONSUMER CHECKLIST FOR FINDING A GOOD CONTRACTOR

TWO EXPERT RENOVATORS TELL YOU WHAT TO LOOK FOR IN A PROFESSIONAL RENOVATOR

- ✓ **Control** A good renovator likes to oversee all aspects of your renovation. “The more I’m in control, the less [outside] variables there are,” notes Kenzie Campbell, general manager of Royal Home Improvements.
- ✓ **Longevity** Look for a company that’s been around for a while, with a bricks-and-mortar operation — and office space — to make sure it won’t have liquidity problems. According to Paul Gallop, who owns Men At Work General Contractors, “70 per cent of construction companies fail within the first seven years.” His advice: “Look for someone who’s been around.”
- ✓ **Communication** Royal Home Improvements ensures that each of its project managers has a BlackBerry or a smartphone. “It makes them accessible 24/7,” explains Campbell.
- ✓ **Paper trail** Plans, promises, timelines — good renovators will provide these to you in writing throughout the project. Campbell recommends asking for email updates and looking for contractors who happily provide.
- ✓ **Credentials** Credentials can be bought, sure, says Campbell, but it doesn’t matter. Companies that invest in credentials and make the effort to be members of associations, and learn about what’s offered in the current marketplace — those are companies that have the energy necessary to build out their business.

renomark.ca find you the right renovator

Hire contractors that agree to a renovation-specific Code of Conduct

- ✓ Minimum two-year warranty
- ✓ \$2-million liability insurance

- ✓ Written contract and scope of work
- ✓ Appropriate licences & permits



Your search for a professional renovator starts here. Visit renomark.ca today.

Brought to you by the Building Industry and Land Development Association.

FROM THE GROUND DOWN

WHY GTA HOME BUILDERS ARE RESPONSIBLE FOR GETTING TO THE CORE

WE'RE USED TO the sight of condominium towers all over downtown Toronto being built or already built. But more than likely, few of us are aware of the critical infrastructure and services, like sewer, water and transportation connections, which are prerequisites to the construction of each and every one of these buildings.

"When you do a development in the downtown core, you don't just dig a hole, put up a building, and that's it," says Steve Upton, incoming chairman of the Building Industry and Land Development (BILD) and vice president of development for real estate developer Tridel. "There are a lot of other things that a builder has to take into consideration to make sure the [structure] gets built and functions properly."

Upton, whose company is a leading builder of condominiums in the Toronto area, sheds light on the critical infrastructure underlying the construction of a downtown condo — how the project is planned and built, and who pays for the upgrade and expansion of vital services.

The most basic infrastructure needed for a condo building to function would be the systems for handling water, sewage and stormwater from rain or melting snow. But while these services are already in the ground at most sites in downtown Toronto, the developer must determine — through a feasibility study conducted prior to submitting a development application to city officials — if the existing systems' capacity is sufficient to service a new project. If they're inadequate, the developer has to upgrade the services.

"Sometimes the most important part of your home is the part you don't see: the systems that ensure health and

safety for those living in that new home and community," Upton explains.

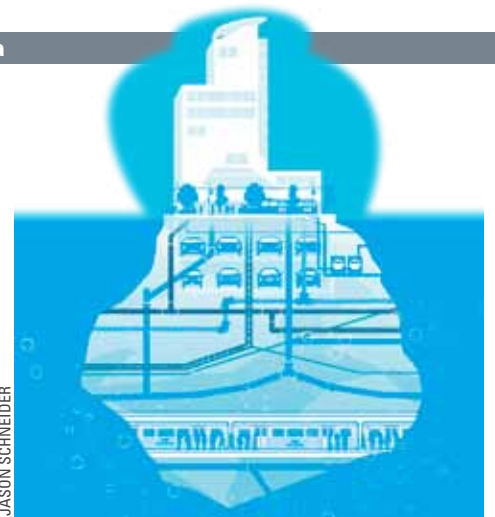
Other infrastructure required for condo buildings would be the gas lines, hydro service and fibre optic lines for telephone and Internet services. The developer also must assess the impact that the new building would have on local roads, traffic, transit, parking and pedestrians. For example, would roads or sidewalks need to be widened? What streetscaping fits the neighbourhood — for instance, planting trees or adding lighting? A developer would also be responsible for infrastructure requirements such as parking garages.

Things are different, however, when building a community from scratch, such as those in the Kleinburg-Nashville area in the City of Vaughan. This part of the growing city was in need of infrastructure investment and it took the form of not just sewer and water systems but also some major transportation improvements.

The city planned for more than 8,000 people and jobs to come to this new community and worked with the development community to get the services in place in time for the new residents and businesses. The majority of the growth-related infrastructure, which cost about \$37 million, was designed, constructed and funded by the developers of the new communities.

David Stewart of Vaughan-based TACC Developments says, "The process took about eight years to ensure that the 3,000 new homes of Nashville Heights, a community that will have schools, shops, parks, trails and a mix of housing, will also be served with the necessary water, sewer and transportation connections.

JASON SCHNEIDER



“TO GET THE JOB DONE PROPERLY, OUR COMPANY RECOGNIZES THAT WE HAVE TO WORK CLOSELY WITH MUNICIPAL AND REGIONAL PARTNERS, AS WELL AS RESIDENTS’ ASSOCIATIONS AND CONSERVATION AUTHORITIES BECAUSE THE REQUIREMENTS AND BENEFITS ARE ACROSS THE BOARD.”

DAVID STEWART, TACC DEVELOPMENTS

"To get the job done properly, our company recognizes that we have to work closely with municipal and regional partners, as well as residents' associations and conservation authorities because the requirements and benefits are across the board," says Stewart. "This project will generate over \$200 million in development charges paid to the City of Vaughan, York Region and the school boards. These charges will help pay for new infrastructure, transit and other community improvements."

The cost of a new sanitary sewer was front-ended by the developers, and the municipality and the region applied development charge revenue to the related water system enhancements. Surrounding neighbourhoods also benefited from road improvements that came as a result of growth. For example, Hwy. 50 was widened, and Hwy. 27 and Major Mackenzie Dr. were improved.

When critical infrastructure needs to be expanded or upgraded to service a new condo development, the developer

pays for it. "The city gives you a list of contractors, and you do it at your own cost," Upton says. "It can be expensive, but it's necessary in order to service your property."

As well, downtown developers are often required by the city to bury hydro lines below ground, an added cost that is typically borne by the builder.

In some cases, for instance, when a community is going to be built from scratch, the developer will front-end the cost of the incoming infrastructure. That means that the developer shares the cost and the risk with the municipality.

Builders also pay development charges, which are levies imposed by the city to fund growth-related capital costs across the municipality — childcare, parks and libraries; police, fire and emergency medical services; roads, transit, sewers and water and stormwater management.

If the developer can tie into existing services and infrastructure, building a condo downtown can entail a less costly and less arduous process. However,

GROWING PAINS IN YORK REGION

INFRASTRUCTURE CRITICAL TO SUPPORT UPCOMING POPULATION SURGE NEEDS SMOOTHER ASSESSMENT PROCESS, SAYS BILD PRESIDENT

In anticipation of significant population growth, York Region is expanding its York Durham Sewage System (YDSS), which will serve both York and Durham regions. Currently under construction is the Southeast Collector (SEC) Trunk Sewer Project, a \$570-million initiative involving twinning the existing sewage line through delivery of a new 15-kilometre tunnelled pipe extending from Markham to Pickering.

The region's Capital Construction Program also includes rehabilitating the existing 40-year-old sewage line and \$900 million in upgrades to the Duffin Creek Water Pollution Control Plant.

The Southeast Collector endeavour is the first trunk sewer project in Ontario to undergo an individual environmental assessment — a rigorous process normally reserved for large-scale, non-routine infrastructure projects that have the potential, according to the Ministry of the Environment, for “significant environmental effects and major public interest.”

Expansion of the York Durham Sewage System is critical to accommodate approximately 400,000 new York Region residents — or 150,000 housing units — expected by 2031 in the area serviced by the system.

“When the Southeast Collector Trunk Sewer Project was originally contemplated more than 10 years ago, the estimated cost was around \$175 million; now it's over half a billion dollars,” says BILD president and CEO Bryan Tuckey, who is a former Commissioner of Planning and Development Services with York Region. He also points out that the Region must “collect development charges to pay for that” — charges that will ultimately result in higher home prices. Project cost increases have occurred partly as a result of the Region's decision to use advanced tunnel-boring machines and treatment technologies to meet stringent regulatory requirements.

Southeast Collector project costs also include more than \$15 million in enhancements planned for Markham and Pickering. Improvements already underway include Bob Hunter Memorial Park, Rouge Park, trails and wetlands, tree planting and planned scholarships.

If the province wants to encourage intensification as part of its Places to Grow policy, Tuckey says it needs to look at streamlining its environmental assessment and approvals process to help municipalities more efficiently and cost-effectively expand their infrastructure to accommodate future approved growth. Routine infrastructure projects such as wastewater trunk sewers and treatment plants could follow a more streamlined environmental assessment process similar to what the province has approved for rapid-transit projects.

Says Tuckey, “I think we have an environmental assessment process that could be better structured to assist municipalities completing critical infrastructure projects to service provincially mandated growth.”

building downtown might also come with surprises that a developer with a new subdivision on a vacant field will not encounter.

“Sometimes you get in the ground and you don't know what you're going to find,” Upton says. “The city's drawings and the things they've done engineering-wise over the years aren't always up to snuff. And when you get surprises, that's when the extra costs come in.

“When you're excavating to put in a stormwater pipe, for example, you don't want to go down and hit a gas main that you didn't know was there, [and] all of a sudden, you have to replace a whole gasmain piping system!”

In an area where new infrastructure has to be built to support future homeowners, there can be surprises too. Wildlife habitat, natural heritage and archeological areas have to be identified through development studies and planned for accordingly.

As the GTA continues to grow, improving and installing infrastructure becomes critical to residents' health, safety and quality of life.

This is the sixth in an eight-part series sponsored by BILD.



WORKING **TOGETHER** TOWARD A GREATER GTA

Building healthy, complete communities is a team effort. That's why BILD works closely with our partners in government to establish fair and effective policies that affect the land development, home building and professional renovation industry in the GTA. We are always at the table on behalf of the industry and new home buyers. So why is advocating on your behalf so vital to us?



BECAUSE THE GTA IS OUR HOME TOO



MIXING IT UP

COMPLEMENTED BY THE PROVINCIAL GOVERNMENT'S GROWTH INITIATIVE, DEVELOPERS ARE RIDING THE WAVE OF THE FUTURE WITH MULTI-FUNCTION URBAN AREAS

MIXED-USE COMMUNITIES ARE well-planned urbanized areas where people can live, work and play and the benefit beyond having all of those places nearby, is that the pressure on local resources like sewer, water, roads and transit is minimized.

Mixed-use development — which creates a complete community by blending residential living

with a combination of commercial, retail or industrial spaces within a single area or building — provides condominium and townhouse communities with easily accessible places to live, work and shop. This urban design principle has been embraced by large and growing cities. Mixed-use development aims to utilize land more efficiently and cut down on traffic congestion and infrastructure expansion.

By adding a mix of uses to the land, there is a greater return on the land value. In addition to providing employment opportunities for local residents, these lands also generate business tax revenue for the municipality.

When land was plentiful and uses were separated, commercial and industrial facilities were frequently built away from where people lived. But as Toronto grew, so did traffic congestion and commute times. Now, the amount of land that could easily be converted into subdivisions, businesses, shopping malls and parks without straining roads, sewers and green spaces is reduced. In 2006 the provincial government brought in the Places to Grow Act, which restricted new development to designated growth areas and encouraged mixed-use developments.

Consequently, new housing communities throughout the GTA would become more densely populated in order to conserve land for the future.

For some communities, this meant more townhouses and, for other areas — such as those along subway lines and busy arterial roads — more condos. But implementing the province's growth strategy also meant that these new communities must incorporate places where people can work, play and shop, as well as raise families. Land developers in the GTA now aim to incorporate all of these functions into their creatively-designed projects.

One such community that's in sync with the principle of mixed-use development is at 156 Portland St., located in the bustling Queen Street West neighbourhood. When it was completed in 2011, it offered 96

condominium units and an assortment of retail stores such as Winners and Loblaws, as well as a new, innovatively designed branch of BMO Bank of Montreal. There is, in fact, more non-residential floor space at Queen and Portland than residential square footage.

"It started as an opportunity to add value to a building and make it more than people just living together," says Steve Deveaux, vice-president of land development for builders Tribute Communities. "It was an opportunity to build a more interesting vertical neighbourhood."

Evidence of the shift to increased mixed-use development outside the City of Toronto as well, is Markham's World on Yonge community, currently under construction at Yonge St. and Steeles Ave. A project of

BLENDING RIGHT IN

BANK SEES MIXED-USE DEVELOPMENTS AS AN OPPORTUNITY TO NURTURE STRONG RELATIONSHIPS WITH CUSTOMERS

In October 2011, BMO opened up a new branch within the Queen and Portland development of builders Tribute Communities. Specifically designed to blend into an urban residential setting, the branch has few of the physical barriers between staff and customers typically found in traditional bank branches, such as counters and desks.

The design of bank branches like the one at Queen and Portland allows BMO to establish a friendly presence in emerging communities and be closer to where customers actually live, says Paul Dilda, head of the bank's North America Branch Channels.

ARE YOU HAPPY WITH HOW THINGS ARE GOING AT QUEEN AND PORTLAND? ARE THERE SIMILAR BRANCHES PLANNED?

We have been opening new branches in key markets across the country, particularly where we see increased development. The neighbourhood served by our Queen and Portland branch is such a market, where increased residential density [arising] from redevelopment over the years has created a vibrant neighbourhood that we are delighted to serve. Our branch location is conveniently located [amid] groceries, drugstores and other retailers. We are very happy

with how things are going there; our branch is well received by the community and our team is having great conversations with our neighbours every day.

WHAT ATTRACTED YOU TO THIS TYPE OF LOCATION? DOES BMO WANT TO BE CLOSER TO PEOPLE IN CHANGING HIGH-DENSITY NEIGHBOURHOODS?

BMO is attracted to the growth that redevelopment has created as well as the sense of community that is formed. Our neighbourhood branch model is designed to be a convenient, welcoming part of such a community. These types of mixed-use developments often offer retail opportunities that provide residents with convenient access to business services, banking being one of them, and we are excited to be a part of the community.

DO EMPLOYEES EXPRESS A PREFERENCE FOR WORKING IN A MIXED-USE BRANCH?

Employees do appreciate being part of the community that this type of location affords [because] they are part of the "scene," which helps to nurture strong relationships with our customers.

Markham-based real estate company Liberty Development Corporation, World on Yonge will feature about 1 million sq. ft. of new residential housing and 500,000 sq. ft. of office and retail space on a 10-acre site. “We wanted to add value to the corner of Yonge Street and Doncaster Avenue and we are doing it by bringing people close to job opportunities, amenities,

transit and the existing neighbourhoods nearby will benefit from the revitalization as well,” explains Marco Filice, a senior vice-president at Liberty Development.

World on Yonge is in an established neighbourhood; it integrates well into the community; and it is close to existing infrastructure and mass transit. It also means that the

City of Markham doesn’t need to build new sewers or roads. Filice compares these new developments to street-scapes before the postwar suburban explosion, when people happily lived above shops or near commercial hubs because they didn’t have cars. “Really, this is a renaissance of how things used to be, before suburban development bifurcated the land,” says Filice.

There still remains areas of the GTA where strategic employment lands need to be preserved for industrial uses such as manufacturing, food processing, wholesale trade and distribution.

“Due to current market trends, there is not much demand for additional manufacturing and processing facilities. However, with an ever increasing amount of imported goods being shipped locally, warehousing and distribution buildings are in high demand. These buildings store product efficiently and even though they not large employment hubs, they are huge generators of tax revenues for municipalities,” says Blair Wolk, vice-president of Orlando Corporation, a major developer of commercial space in the GTA.

According to Wolk, the changing nature of work means there will be greater demand for service-oriented industries such as finance, insurance and other professional services, as well as the growth of the corporate head offices. This kind of facility, however, can be easily integrated into existing neighbourhoods and requires less space per employee.

One such project is the Heartland Business Community, a 1,250-acre development being undertaken by Orlando on Mississauga’s Hwy. 10 corridor, which, says Wolk, is where the municipality has planned for more integration. Once fully built out, Heartland will offer 25 million square feet of office, industrial and retail space — enough to employ 35,000 people.



ROGER YIP

Busy CEO Adrian Bartha, 30, works, lives, shops and spends much of his free time in his Queen and Portland neighbourhood. “There is a good energy [here],” he says.

**LIVE, WORK, PLAY
TIME IS TOO PRECIOUS
TO COMMUTE,
SAYS RESIDENT**

Entrepreneur Adrian Bartha, 30, grew up in Parkdale, in Toronto’s west end. He recently moved into the mixed development community at 156 Portland Street. For Bartha — who is the CEO of eCompliance Management Solutions Inc., a software company that creates Web-based occupational health and safety products — the daily commute to his office is now just a short walk away from his home on Wolseley Street.

**WHAT IS YOUR DAILY COMMUTE TO WORK?
HOW LONG DOES IT TAKE YOU TO GET THERE?**

My commute is around 100 feet! I had to work in the suburbs before and [had to] commute.

**WHAT IS THE QUEEN STREET WEST AND
PORTLAND AREA LIKE TO LIVE IN? WHAT
TYPES OF PEOPLE LIVE HERE?**

This area is very eclectic and it has a lot of diversity to it. There are different types of people from all walks of life here . . . great restaurants and a real a sense of culture and community. I might not be part of all the little communities here, but I like being around them. There is a good energy.

DO YOU SOCIALIZE HERE TOO?

Yes, I stay along King or Queen West or Roncesvalles for the most part. And I feel like I have most of what I need in and around here. Toronto is almost like a dozen different little cities in one, and people usually to stick to their two or three [favourite areas] — and that’s what I do as well.

**YOU’VE LIVED IN THIS AREA FOR YEARS. HOW
HAVE YOU SEEN IT CHANGE AND GROW? HOW
DO YOU SEE IT CONTINUING TO GROW?**

As a child I grew up further on Queen West and this neighborhood has changed a lot. There are some affluence and gentrification effects taking place. As long as it remains diverse I’ll be happy. I want the little independent stores and restaurants to stay.

**WOULD YOU RECOMMEND LIVING AND
WORKING IN THE SAME AREA?**

I’d highly recommend it. I’ll always strive to work and live in places that are close together — it saves time. Time is too precious to spend commuting.

This is the seventh in an eight-part series sponsored by BILD.



ON THE HOME FRONT

MORE THAN 100,000 PEOPLE ARE EXPECTED TO MOVE TO THE GTA EVERY YEAR FOR THE NEXT 25 YEARS. THE TORONTO STAR HOSTED A PANEL DISCUSSION WITH BUILDERS AND DEVELOPERS TO DISCUSS WHERE AND HOW THESE FAMILIES ARE GOING TO LIVE

THOMAS BOLLMANN



A recent panel discussion, moderated by Toronto Star Publisher John Cruickshank, far left, explored issues key to the building industry, as 120 guests listened. It was held at Torstar's Vaughan Press Centre.



The land development, home building and professional renovation has been a major contributor to this province's economy. Do you see this continuing?

*Bryan Tuckey
BILD president and CEO*

The reality of the Greater Toronto Area is this: Around 100,000 people will come to this region

every single year for the next 25 years. Our industry will meet the challenge of building 35,000 to 40,000 homes in the GTA every year to accommodate the people who choose this wonderful area to be their home. The GTA needs a vibrant, resilient, strong and growing economy, which in turn, helps us meet the forecasted growth projections for this region. If there are jobs, the people will come.

In 2011 this industry directly employed 193,000 people in the GTA. It's a substantial contribution to the economy. Sometimes I wonder: How can the industry that has been the glue that's held Ontario together over the last three or four years be so undervalued? The direct jobs result in around \$10 billion in wages generated and \$24 billion in construction value. It's also a local industry in that most of the building equipment and many of the products are purchased close to home, so it also has a huge multiplier effect on the economy of the GTA and Toronto.

Walking down the street, I tell people, "Look to your right and look to your left, and you'll probably see a person who works in this industry."



How are we redefining space and home? What is the new normal?

*Paul Golini
BILD chairman; executive vice-president and co-founder, Empire Communities*

Our region is growing and will continue to grow. I can honestly say most of us, if not all of us, in the industry are in it for one thing — and, by the way, it's not profit.

We're in it because we're really the ones on the ground executing — and we're really striving to deliver, design and plan — vibrant, livable complete communities that provide a mix of uses and spaces for people to enjoy.

We can see that a shift is happening. Ten years ago, the new-home sales statistics showed us that people were purchasing 25 per cent high-rise and 75 per cent low-rise; as of last year, high-rise amounted to 62 per cent of the market share.

We talk about the shift because it's also a story about affordability and land supply. Provincial policy is constraining land supply, which is making ground-related housing harder to find and increasing government-imposed fees and charges are affecting affordability. We have to get back to a more balanced market so new homebuyers can find affordable options where they want to live.

Ultimately, it's all about building complete communities where people want to live, work and play. We know, because we live here too.



RenoMark, a collective of professional renovators who abide by a code of conduct, is helping homeowners avoid bad renovation situations. What is the greatest benefit to being a part of this program?

*Brendan Charters
Member, BILD board of directors; development manager, Eurodale Developments*

RenoMark has a renovation-specific code of conduct. This is critical. It ensures all those things you're looking for as a consumer — written contracts, \$2-million liability insurance, two-year warranty...and you know you are dealing with a professional.

RenoMark started in the GTA and has now gone coast to coast. It is now in eight provinces, soon to be nine. As a renovation company, we're looking to not just be able to compete, but also to try to set ourselves apart. And for us, it lent a lot of credibility to be part of BILD as a whole and then to be tied in with RenoMark.

If a company is willing to put down membership dues and spend time going to forums and educating themselves, they obviously take their business seriously. Our involvement in the Association has educated our company as a whole and allowed us to understand some of the challenges the industry faces.

We are all grouped together — everyone with a hammer and truck. Whether we're on a new-home site or a renovation site, the consumer doesn't know the difference, and so, for BILD to recognize that and want to increase the profile of the renovation segment is paramount. The renovation side is 101,000 jobs — a massive segment of the industry.



You spoke about preserving strategic employment lands. Why is this something people should be aware of?

*Blair Wolk
Member, BILD board of directors; vice-president, Orlando Corporation*

It has been pointed out that around 100,000 new people are coming into the GTA every year. But what hasn't been mentioned is that there are also 35,000 to 40,000 jobs planned for the GTA every year. There is a tremendous amount of growth pressure and we need residential development, but if we don't preserve strategic lands for employment uses, you'd be pushing employment further and further out of our cities' cores.

It's important that municipalities and the province place a high priority on keeping employment lands protected, so we can continue to accommodate this growth in the future. We might have to think differently about it.

For example, in the city of Toronto, there is a shift in the way jobs are being created. There has always been a tremendous amount of manufacturing in Toronto and now that has shifted.

There are real strategic locations where employment lands have to be preserved, especially on major corridors, like main roads and highways, as well as along transit corridors like rapid transitways and subways, so that people and goods can move around quickly and efficiently.



BILD is a partner of Habitat for Humanity in Toronto.

Builders, developers giving back

Since 2003 the Building Industry and Land Development Association (BILD) has rallied volunteers, planned events and raised more than \$500,000 for its community partner, Habitat for Humanity Toronto.

Through that partnership, the industry has helped to end the cycle of poverty for eight Habitat families by building homes and sponsoring projects, as well as participating in Habitat dedication ceremonies and the handing over of keys to those families.

"Giving back is important to our industry and we don't focus on it just at this time of year, but all year long," says Bryan Tuckey, BILD president and CEO.

BILD's annual charity barbecue, held at its North York headquarters, is a major fundraiser for the cause. So is BILD's newest fund-raising event, now in its second year, Stephen's Ride for Humanity, which this year took place in September.

"We are very proud of our partnership with Habitat because we're both in the same business of providing shelter," says Tuckey. "And we are both strong advocates of affordable homeownership."

This is the final in an eight-part series sponsored by BILD.



41,292 NEW HOUSING STARTS
A key to economic growth in communities all around the GTA!

193,300 JOBS CREATED IN 2011
The new home construction and residential renovation industry is one of the largest employers in the region!

\$10.1 BILLION IN WAGES
These wages show up as purchases all over the GTA, contributing to the overall economy!

\$24.6 BILLION IN INVESTMENT VALUE
New home construction and residential renovation is the largest single wealth-builder for many GTA families!

BUILDING A GREATER GTA one home at a time

The residential construction industry is essential to the economic foundation, job creation and long-term prosperity of the Greater Toronto Area!

For details, visit bildgta.ca or renomark.ca



