



Government Relations Issues Update

Development Charges

TREB Key Message

TREB recognizes that new development should pay for itself and that development charges help to protect existing residents and businesses from property tax increases. However, development charges should be minimized, fair and equitable.

Background

Development charges are levies imposed by municipalities on new development to fund various growth-related capital expenses. This ensures that new development pays for itself and that additional capital costs do not fall on existing residents in the form of higher property taxation and user fees.

Under the Development Charges Act, 1997, if a municipality wishes to impose these charges, they are required to pass a by-law to this effect. Municipalities must also review these by-laws every five years to ensure that charges accurately reflect costs. During this review, municipalities are required to conduct a comprehensive background study, which must include an examination of the municipality's long term growth-related capital infrastructure requirements, an assessment of costs to be incurred during the term of the by-law and various cost allocations between development types and benefit to new and existing development. They are also required to examine long-term development forecasts and trends, to review historical service standards and any uncommitted excess capacity.

TREB has consistently told municipalities to keep development charges down. Although development charges directly impact new housing, they ultimately impact the entire housing market. When a new home eventually enters the resale market, its price will reflect the original purchase price, which may have included development charges. Furthermore, the vibrancy of the resale and new housing markets are interdependent. Many move-up buyers purchase new homes, freeing up existing stock. This cycle is critical for a vibrant housing market.

Various GTA municipalities have recently reviewed their development charges and some have implemented substantial increases.

TREB participated in consultations with City of Toronto Finance staff on a new development charges by-law, which was recently approved. The City's original proposal would have increased development charges by over 100%; however, the by-law that was adopted froze the City's development charges at current rates for two years. Approved increases will begin to be phased in 2011, but no more than 25% of the increase will be implemented per year, depending on the number of building permits issued by the City.