

DECIPHERING DEVELOPMENT CHARGES

Development charges account for more than 20 per cent, on average, of new home prices in the GTA



The Neighbourhoods of Cardinal Point in Whitchurch-Stouffville.

The purchase price of a new home is comprised of many components. A significant portion is a tax referred to as development charges.

According to recent Altus Group statistics prepared for the Building Industry and Land Development Association (BILD), development charges account for more than 20 per cent of new home prices in the GTA. The average new single-family home includes about \$186,000 in development charges. These are one-time fees imposed by municipalities on land developers, homebuilders and institutions when they build within their boundaries.

The idea behind these fees is to help defray the costs to provide the additional infrastructure that is or will be needed to accommodate the increase in population from the new developments.

People typically think of infrastructure as roads and sewers, but development charges also go toward a variety of amenities that benefit entire communities. (Some examples are below.)

Development charges are protected by legislation. In 2016, Bill 73, the Smart Growth for Our Communities Act, came into effect to help ensure predictability and accountability of municipalities, help them fund growth, protect green spaces and ease the planning/appeals process. These steps were taken to improve on the Development Charges Act that was implemented in Ontario in 1989.

Municipalities conduct studies to determine what services and infrastructure will be required in the future to accommodate growth. Through the mechanism of a bylaw, they have the ability to determine fees that can be used to pay for hard and/or soft services. Hard services include items such as roads, water and waste management. Examples of soft services are libraries, parks and recreation centres. A simple way to think of this system is that growth pays for growth.

A good example of how development charges are applied is in the growing Midhurst area in the Township of Springwater, Simcoe County, where Geranium has land holdings in the Doran Road and Carson Road communities. The development charges

on new homes that will be built here by Geranium and others in the group of landowners will help with the creation of a comprehensive new parks and recreation master plan offering an exciting array of facilities and amenities. These will include neighbourhood parks, ball diamonds, splash pads, trails, tennis courts, picnic pavilions, a multi-purpose recreation centre with a twin-pad arena, curling rink, community centres and potentially more. In addition, these funds will pave the way for expansion on critical services such as fire and police protection. When delivered, these substantial amenities will result in a higher quality of life for residents of the area, whether current or future.

Municipalities experiencing growth have a limited number of tools at their disposal to raise funds to support the aforementioned hard and soft services. Voters do not like it when their political representatives raise property taxes, so development charges often bear the brunt of costs associated with growth. This explains why they account for 20 per cent of the price of a home in the GTA.

Families buying a new home are often drawn to it because of the surrounding neighbourhood and the opportunities to enjoy parks and trails, recreation facilities and community centres. These amenities are provided, repaired and maintained partly as the result of development charges.



Shauna Dudding
is senior vice president, development

for Geranium. Since 1977, the company has built more than 8,000 homes throughout Ontario.

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